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#### World News

### Rebel army units still fighting in **Philippines**

Fierce fighting continued in the Philippines last night between government forces and rebel army units, including crack combat troops who joined the sixth coup attempt against President Corazon Aquino. Government forces repulsed an attack on the mili-tary headquarters but fighting business district. Page 24

National Front wins France's extreme right National Front party recovered a role in national politics after triumphing in a by-election at Dreux, west of Paris, domi-nated by a debate over immigration. It will be the party's first seat in parliament since it was trounced in general elections last year.

Singh pledges ald V P Singh, in his first address

as India's new Prime Minister, promised to devote half of government resources to villages, where most of the country's 810m people live. He also said an agency would be set up to investigate corruption.

Soviet environment A decree to curb damage to

the Soviet environment rules that all future projects must be vetted by ecological experts before receiving state funding. The decree also means controversial nuclear underground tests in the republic of Kazakhstan might be halted. EC report, Page 6

**Brussels explosion** Twelve people were killed and three seriously injured at a Brussels shooting range when ammunition exploded in a cel-

Syria boosts troops Syria boosted its forces facing

banon's Christian enclave as mediation efforts stalled. Syrian froops unloaded ammunition and dug new trenches near the enclave where Gen Michel Aoun was delying Pres-

Thatcher campaign The campaign to re-elect Mrs Margaret Thatcher as British Prime Minister stenned up as the Conservative Party prepared to vote in its first con-tested leadership election since 1975. Page 7

Azeris reject ruling The Government of the Soviet republic of Azerbaijan has said it will reject part of a Kremlin ruling altering the status of the disputed territory of Nagor-no-Karabakh. Page 4

Arab giri shot The Israeli army moved to purge the old town of Nablus, reportedly killing an 11-year-old girl and arresting many

other Palestinians and seizing weapons. PLO response, Page

**Bhopal arrests** About 300 survivors of the Bhopal gas disaster were arrested when they marched to the closed-down Union Carbide factory on the fifth anniversary of the world's worst industrial accident.

**Taiwan results** 

Taiwan's main political opposition, the Democratic Progressive Party, made significant gains in the country's first free elections. The ruling Kuomintang party is expected to face pressure to introduce reforms.

Sri Lanka killings At least 17 government soldiers were killed when members of an outlawed Tamil army group ambushed their vehicle in northern Vavunia district.

Pretoria to halt raids South Africa will stop raids into neighbouring black-ruled countries and supporting antigovernment groups there, according to Defence Minister Magnus Malan who also said it was possible for South African forces to have a reduced role in the region's politics. Death squad arrests, Page 4

Morocco referendum Nearly 190 per cent of Moroccan voters have approved a can vote a delaying municipal elections until after a UN-spon-sored vote of the people decid-ing the allegiance of the Western Sahara.

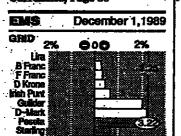
Chess solution

Due to technical problems, the solution to the Firs Chess Problem No.800 did not appear in some issues of Saturday's American Edition. It is as follows: 1 Rxf6+ Resigns. If Kxf6 2 Rf1+ and soon mates after Kg7 3 Qe5+ or Kg6 3 Qe6+. **Business Summary** 

### Ferruzzi to share control of Italian insurer

RAUL Gardini's Ferruzzi Group have agreed to share control of La Fondiaria, top Italian insurer, in a L8,600in (\$2.74bn) deal with Camillo De Benedetti. Page 28

**EUROPEAN Monetary System:** Currencies in the EMS remained in two distinct groups, with the D-Mark and Dutch guilder pushing up towards cross rate limits against weaker members. Profit taking in the D-Mark helped to keep immediate pres-sure off the system, but a realignment is likely. Quiet trading in the run-up to the end of the year means this will probably be delayed until 1990. Currencies, Page 36



ECU DIVERGENCE

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The chart shows the two constraints on European Monetary System rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move more than 2¼ per cept. The lower chart gives each currency's divergence from the "central rate" against the European Cr rency Unit (ECU), a basket of

European currencies. -US TREASURY secretary Nicholas Brady and the new Securities and Exchange Commission chairman, Richard Breeden, have joined forces to call for higher margins in the Chicago futures markets.

MOBILE TELEPHONES: The consortium headed by Mannes mann, the engineering company, has emerged as the front runner to win the licence for West Germany's first privately-operated network. Page 6 JAPANESE companies are

likely to account within 20 years for 5 per cent of manufacturing production in western Enrope, according to a study. Page 4

MATRA, the French arms and electronics group, has denied it is interested in taking a minority stake in Ferranti International Signal, the trou-bled UK electronics group which has been hit by a suspected fraud. Page 29

THE EUROPEAN Investment Bank will increase its borrowings on the international capital markets by almost 20 per cent this year. The bank expects to raise the equivalent of Ecus 2hn (\$10.5bn) in 1989, compared with Ecu7.7bn last year. Page 27

CARLO De Benedetti's control of Mondadori, Italy's largest publishing group, is in jeop-ardy following a change in shareholder alliances.

MCA, the big US entertainment group, and the Bronfman family of Montreal have won an eight-month battle for control of Cineplex Odeon, North America's second-largest cinema group. Page 28

J.P. MORGAN, the US merchant bank, announced the launch of a global bond index which covers 11 national markets and is composed of liquid instruments that can be traded quickly. Page 28

MERRILL LYNCH, the diversified US financial services company, has launched a London-listed fund designed to invest in the bonds of developing country sovereign govern ments, particularly in Latin America. Page 28

**SWEDEN'S Bank Inspection** Board looks set to launch an investigation into suspected insider trading connected with a deal involving Beijer, big investment group. Page 28

HESTAIR, the personnel services and consumer products group which is facing a £167m hostile bid from Adia, a Swiss comterpart, has sold one of its consumer products subsidiaries for £11.65m. Page 29

Crisis of confidence could create power vacuum 

Bonn says move was unavoidable

## E German leadership resigns

EAST GERMANY last night faced the threat of a power vac-uum after Mr Egon Krenz resigned as Party chief, together with the entire Communist leadership, in a move forced by the country's worsening crisis of confidence.

The resignation of the Polit-

bure and the Central Committee and a purge of former Socialist Unity Party (SED) leaders were announced yester-day afternoon to thousands of angry SED members outside the Party headquarters in East

A terse Politburo statement said members had stepped down "to counter a further endangering of the existence of the party." Mr Krenz, who remains for the time being as head of state,

has battled unsuccessfully to restore the Party's credibility which has been shattered by deep public discontent over the SED's 40 years of dictatorial . He is unpopular with the East German population and was widely seen in West Ger-many as an interim figure. He

took over as SED general secre-

tary just over six weeks ago from Mr Erich Honecker, who was deposed after 18 years. Mr Honecker, with 11 other previous party chiefs, was unceremoniously expelled from the party yesterday. The others included Mr Willi Stoph, the former Prime Minister and Mr



Central Committee member Günter Schabowski tells a crowd near SED headquarters in Berlin that the Politburo had resigned "to counter a further endangering of the existence of the Party"

Honecker's poor health - he is 77 - appears to be the only fac-tor preventing him from

The action is likely to hasten the process towards free elections in East Germany next year. It may also increase pressures in East and West Germany for some form of German

The move was welcomed by Brich Mielke, the former Minister for State Security. Mr as an "unavoidable" conse-

quence of mounting unrest among the East German population. It coincided with peaceful protests by hundreds of thousands of East Germans who formed a chain for about 600 miles across the country to back Opposition demands. The unprecedented depar-

ture of the Politburo, leaving the Party temporarily in the hands of a "working committee" made up mainly of reform-ist regional SED chiefs, was

propelled by rising indignation among grass roots SED mem-bers over revelations of party corruption and mismanage ment. It also reflects the inten-sifying East German economic squeeze following the opening of the country's borders on November 9.

In a further attempt to bring to book perpetrators of corrup-tion, the East German authorities yesterday announced the arrest of Mr Günter Mittag, the

By Robert Mauthner in Valletta

THE GODS, it seems, did not want what President George

Bush called his "non-summit summit" with President Mik-

hail Gorbachev to be held on warships in a Malta harbour.

ing the "realities" of the po-

nean at this time of year.

war situation in Europe blinded those who organised the meeting to the realities of the weather in the Mediterra-

Mr Bush and Mr Gorbachev should have been warned. Some 2,000 years ago St Paul

was shipwrecked on this

Too much talk about accept-

former economic planning chief, who was a leading asso-ciate of Mr Honecker.

Mr Harry Tisch, the former trade union leader, as well as three other other officials from the Honecker regime, were also According to ADN, the official East German news agency, they were accused of "misus-

ing their functions to cause severe damage to state prop-erty and the economy." Mr Alexander Schalck-Golodkowski a former East Berlin state secretary who was the SED's chief international trade and foreign exchange manager, was last night thought to be on the run abroad after the East German state prosecutor issued an arrest warrant for him. Mr Schalck, who con-

trolled a clandestine network of East German companies at home and abroad, visited West Germany at the weekend in connection with forthcoming talks with Chancellor Helmut Kohl Mr Krenz's experience of being shouted down by SED members when he tried to

address them in East Berlin on Saturday night appears to have spurred the Politburo's departure, along with the whole of the SED's policy-making cen-tral committee. The 10-man Politburo lasted less than four weeks after it was elected on November 8 following Mr

Continued on Page 24 Other reports, Page 3

and waves of 15-20 ft pre-

vented the two leaders from fulfilling their scheduled pro-

gramme of meetings on each

other's warships, moored in Marsaxlokk, on the other side of the island from Valletta.

On Saturday, both the after-noon meeting and the sched-

uled dinner on the USS Belk-nap were cancelled because of

the heavy seas, which the security men from both sides

considered to be too dangerous

for their precious charges to

It was lucky for everyone

concerned – and a famous pro-paganda victory for the Rus-

sians - that the Soviet delega-

tion had brought along a

## gathers again in Prague

By Leslie Colitt in Prague

THE new Government in Czechoslovakia was sharply rejected by the Opposition yes-terday, which called for a mass demonstration in Prague today to bring it down.

Crowds began to gather last night in Wenceslas Square in the heart of the city, a proba-ble foretaste of protests to

The 20-member Cabinet announced yesterday contained 16 Communists under Prime Minister Ladislav Adamec. Though it contained three non-Party ministers and one each from the Socialist and People's parties, all important posts - including the key defence and interior ministries

were held as before by party officials. Civic Forum, the Opposition group which had demanded a pluralistic Cabi-net, called the reshuffle "dread-

A "gathering of citizens" was called for this afternoon on Wenceslas Square, which until last Tuesday was the scene of daily mass demonstrations. These brought down the Party leader, Mr Milos Jakes, and forced the previous Government under Mr Adamec to

Civic Forum has also campaigned for the resignation of President Gustav Husak, who said yesterday that he had no wish to hang on to power.

Rumours surged through Prague of an imminent crackdown by the army and security forces. But Civic Forum leaders said such a move was unlikely following the US-Soviet summit urging restraint in eastern Europe. In addition, they noted that Moscow had refused to criticise Civic Forum in any manner.

The presentation of the sub-stantially unchanged government by Mr Adamec reflected a tough line by the new Czecho-slovak Communist leader, Mr Karel Urbanek, who came to power as a relative reformer. However, a senior Party official said Mr Urbanek was under "strong pressure" from the hard-line party apparatus not to give way.

The Government has also proposed negotiations with the Soviet Union on the "tempo-Czechoslovakia which has lasted since 1968. The announcement was seen as an attempt by the leadership to do something that would prove popular.

## Bush hails 'deeper understanding' • Leaders promise greater economic co-operation Summit paves way for Landmark talks weather the storm

arms cuts next year By Quentin Peel and Peter Riddell in Valletta

THE US and Soviet leaders yesterday paved the way for wide-ranging arms control agreements to be completed next year and closer economic co-operation after a chaotic shipboard summit which only just survived two days of Medi-

terranean winter gales. Smiles, handshakes and mutual compliments were the order of the day as President George Bush and President Mikhail Gorbachev appeared together for an unprecedented 90-minute joint press conference to underline what Mr Bush described as "a deeper understanding of each other's.

They still confessed to their differences but both expressed the hope that the gaps had nar-

Mr James Baker, US Secre-tary of State, said there was potential for real chemistry between the two leaders." He talked of moving "from competition to dialogue, and then to co-operation."
The two leaders joked

together about when exactly yesterday the Cold War had ended; was it 12.45, or 2.27? The harmonious conclusion followed a truncated series of talks on the Soviet cruise liner the Malta Freeport dockside, while the US and Soviet cruisers, on which the summit was supposed to take place, bucked at anchor in the bay. Mr Bush was isolated on the cruiser Belknap, unable to attend his scheduled talks and

Maxim Gorky, safely moored at

dinner with Mr Gorbachev, for the whole of Saturday afternoon and night. The meeting was rescued by the two leaders were able to

conclude eight hours of talks. The meeting was originally billed as a "getting-to-know-you" exercise but was given added urgency by the hectic pace of change in eastern Even on that acutely sensi-

tive subject there seemed to be broad agreement. Mr Gorba-chev restated his belief that every people has the right to choose its own destiny. For his part, Mr Bush promised that the US would not "do

anything unrealistic [that] causes any country to end up going backwards." The final statement under-lined the improvement in US-Soviet relations this year, especially since the two countries' foreign ministers met in

Wyoming 10 weeks ago. In particular, the two leaders laid the ground for a strategic arms reduction treaty and an agreement on reducing conventional forces in Europe to be

finalised by next summer.

Mr Baker and Mr Eduard
Shevardnadze, the Soviet Foreign Minister, will meet in Moscow in a month to deal with outstanding problems. These include three specific Start: how to deal with airlaunched strategic missiles, encoded guidance systems, and

non-deployed missiles.

Mr Gorbachev said he hoped the Start treaty would be agreed when he meets Mr Bush for a full summit in Washington in late June next year. The hope is that political issues will have been resolved by then, leaving textual work to be completed for signing of the final treaty possibly by the end

of 1990. Mr Bush will report later today to Nato leaders in Brus-sels, and Mr Gorbachev to the Warsaw Pact in Moscow, on the discussions and in particu-Continued on Page 24

Background, Page 2; Editorial comment, Page 22

# a year ago almost to the day, the dreaded "Grigal" wind caused havor nearly as great as it did during the summit. cruise liner, the Maxim Gorky. Winds of 60 miles an hour Continued on Page 24 Welcome to all multinationals new to this country. (You're also welcome to use

our tax capacity.) Even for multinationals, the cost of setting up a major

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Japanese Industry: Survey ... ... 13 UK Glits .... Monday Page . Money Markets ... Unit Trusts

Summit smiles: Presidents Bush (left) and Gorbachev on the Maxim Gorky yesterday

fast-track approach

Thailand: Survey ....

the desert .....

THE MONDAY INTERVIEW West German novelist Günter Grass has two pressing concerns as a writer and a human being: the future of Eastern Europe and the environment. Events in the East have given him new hope.

defences against hacking ..... Gianni De Michelis's vision of Europe .......... 23 Lex: An air of calm in Tokyo; property accounting; UK sectors; water

EC transport policy: Commission chooses the

Management: CMB's ploneering venture in

Editorial Comments A useful exercise;

Currencies Editoriai Comment ... International bonds ..... Financial Diary ... \_\_ 25 Observer \_\_ 21 Inti.Capital Markets World Guide

#### THE MALTA SUMMIT

## US LEADER APPLAUDS 'NON-SUMMIT' **Bush and Gorbachev clear** way for arms agreements

By Peter Riddell, US Editor, in Valletta

PRESIDENT George Bush yesterday joked at the end of his unprecedented joint press conference with President Mikhail Gorbachev that he could not have hoped to achieve a better result from a non-sum-

For all the near-fiasco of Saturday's storm-interrupted dis-cussions and the abbreviated talks, Mr Bush could claim that his idea of a relatively informal and unstructured session with Mr Gorbachev had

If as expected, there were no specific decisions, the way has been cleared for a series of arms control agreements at the fully-fledged US/Soviet summit in Washington in the second half of June next year, as well as for increased economic co-

It has been a typical George Bush exercise — carefully pre-pared after lengthy consulta-tion with both US allies and Soviet experts in the US. It is all part of his incremental style of diplomacy: modest — what he terms "prudent" — advances; rather than dramatic

Of the 16 points carefully leaked to the US press late on

By Quentin Peel in Valletta

MR Mikhail Gorbachev

yesterday again refined the Soviet attitude towards the

ultimate prospect of reunifica-

tion in Germany – warning against any "artificial accelera-tion" of the process, but not ruling out the prospect finally. His words at the end of the

Malta summit with President George Bush coincided with a more open-minded assessment

from a leading Soviet foreign policy adviser, who underlined the difference between changes

in the external borders of the two Germanys and the one between the two countries.

tion contrasts with the imme-

by Soviet officials to any hint of reunification, both after the

diate strongly hostile respons

The more careful Soviet attitude towards the German quesSaturday to distract attention from the storm, only one had any real novelty.
This was the suggestion that

the US and the Soviet Union jointly support an application by Berlin to host the Olympic Games in 2004.

The other points - the date of the next full summit, eco-nomic co-operation, trade and nome co-operation, trade and arms control etc — were all largely predictable developments of existing trends.

There is nothing wrong with this. Greater predictability and cartainty in US policy has been seen by European politicians as a walcome contract with the

as a welcome contrast with the conduct of some recent US

More generally, both leaders claimed to have gained a deeper understanding of each other's views. There was no attempt to disguise differences
- for instance about bringing naval forces within the scope of arms control (backed by the Soviet Union, but opposed by

the US).
Similarly, if there was no ica, there was, at least, no recriminations over the supply

and after Chancellor Helmut

Kohl published his 10-point plan for confederation leading

Mr Gorbachev stressed once again the importance of the Helsinki agreement, which recognised the existence of two German states, and the post-

"Reality is such that we have in today's Europe two German states," he said. "Both

are members of the United

Nations and sovereign states.
"In order to remain realists,
we should say that history

war borders of Europe.

Soviet Union refines line on Germanys

THE US is expected to provide Malta with two patrol boats and two fixed wing aircraft to help patrol its territorial waters against arms and drug samugging, writes Godfrey Grima in Valletta. At the same time US government agencies will help to identify industrial projects suited for Malta and help train the island's 1,000-strong army.

Behind the grand claims of Mr Bush about being on the "threshold of a brand new era of US/Soviet relations," the two us us/soviet relations," the two leaders appeared to be on the same wavelength — not least in stressing the continuing role which co-operation between the two countries can still play in securing the stability of Engree

Mr Bush and his advisers have travelled a long way this year in their view of Soviet

There was no surprise there-fore when the US President talked of the "enormous sup-port and respect" in America about the way Mr Gorbachev has advocated peaceful change in Europe.

According to US officials, Mr

Bush will be going home confident he can work with Mr Gorbachev, as well as strength-ened against critics who claim his policy towards the Kremlin

"You get the feeling he really wants to work with us," Mr Bush said about the Soviet

fate of the European continent, and also the future of those

"Any artificial acceleration of the process would only exac-erbate and make it more diffi-

cult to change in many European countries."

This was an apparent reference to the possible conserva-tive backlash against reform

which the threat of rapid German reunification could trigger in the Soviet Union. "It would not serve that process by artifi-

A US official said of Mr Bush: "He's been talking about his policy of moving beyond containment for a wear and



George Bush, left, and Mikhail Gorbachev at their joint press conference yesterday

now this meeting is a fruition of that. It puts meat on the bones that a lot of critics said

Before leaving Malta for Brussels to brief Nato partners, Mr Bush was asked if the Cold War was finally over. He simply smiled and flashed a thumbs-up sign.

cess," Mr Gorbachev said. Mr Valentin Falin, head of

the international department of the Communist Party cen-tral committee, and a former

ambassador to Bonn, also

warned against the temptation for reunification to become an

issue in West Germany's

domestic politics. However he said that in the

long run "unusual situations

der issues: any attempt to change the external borders of the two Germanys would be

"shaking the reality in Europe," he said. However, the internal border

between East and West Germany had been "a front line for 40 years. Such a front line

require unusual solutions".

There were two distinct bor-

## El Salvador issue fails to rock boat

DETERMINATION to emerge from the Malta summit in a spirit of co-operation, not con-frontation, effectively muted President George Bush's criti-cism of arms supplies to El Sal-

At the same time, both sides paid tribute to their respective efforts to promote peace in both Lebanon and the Arab-Is-raeli conflict — jointly in the former, and separately in the

latter.

While the US leader made it quite clear that he was still unhappy about the flow of arms to Salvadorean guerrillas, allegedly through neighbour-ing Nicaragua, he said that he accepted Mr Gorbachev's urances that Moscow was

not involved.

Instead, he directed his anger at the Nicaraguan Sandinista Government, insisting that it must be misleading the... Soviet Government in denying any involvement in the sup-

For his part Mr Gortachev repeated his Government's

The state of the s

support for a political settle-ment in the region, including UN-observed elections in Nica-

ragua.
"We understand the concerns of the US," he declared.
"We listened carefully to the arguments of President Bush in this respect, and we assured him that our position of principle is that we are in favour of a political settlement of the situation in Central America.

"There are possibilities to have a peace in that area, tran-quility in the interests above all of the peoples of that region, which do not run counter to the interests of the

For his part, President Bush said there were still "differences" between the two sides, but "we talked about them... I would like to think they have been narrowed."
On Lebanon, the two agreed to continue to exchange views. President Bush said the two were "in total agreement" in supporting the tripartite agree-

Trade proposals seek to draw Moscow into world economy

By Peter Riddell

THE US proposals on trade with the Soviet Union are intended to help advance what President George Bush has described as the reintagration of the Soviet Union into the world economy.

There are four main ele-

 A promise to remove current restrictions and grant the Soviet Union Most-Favoured Nation Status once the Supreme Soviet has approved laws codifying the liberalisa-tion of emigration laws. This will involve waiving the Jack-son/Vanik amendment which response to obstacle to Jewish emigration.

 Allowing the US Exim Bank to provide guarantees on trade with the Soviet Union. Change would raise upper limit of export credit above present

\$300m (£187.5m).

Seeking a mutual investment treaty under which Soviets would provide guarantees about repatriation of profits; and permitting the Overseas Private Investment Corporation (Opic) to provide insur-ance guarantees on US private sector investment and joint ventures in the Soviet Union.

Supporting the grant of observer status to the Soviet Union at the General Agree-ment on Tariffs and Trade, the Geneva-based organisation

which negotiates international trade policy, but this would only be after the completion of the current Uruguay Round, negotiations, expected by the end of 1990.

These proposals are more of symbolic significance than enormous economic importance since trade between the US and the Soviet Union is relatively small, running at less than \$1.5bn in the last couple

Moreover, there has been a massive imbalance in favour of the US, whose exports to the Soviet Union have been between five and six times Soviet sales to the US. This reflects the large US grain exports to the Soviet Union and the relatively few Soviet products which the US wishes to buy. Gold has accounted for around a quarter of recent US

exports to the Soviet Union.
On the investment side,

there have been roughly 1,000 inere have been roughly just joint ventures registered between companies in the two countries. However, most are in the service sector rather than in manufacturing, to the evident disappointment of the

Soviet side.
Soviet economists have admitted that joint ventures and external investment have been inhibited by centralised control and an inadequate pric-

ing system. However, the Soviet hope is that reforms to encourage enterprises to carry out their own export/import operations
- as well as long-term moves
towards a convertible rouble will stimulate both investment

President Bush's trade pro-posals are likely to be wel-comed in the US by all but a few conservative Republicans who are suspicious of helping the Soviet Union. In particular, Senator George Mitchell, the Democratic Majority leader, has been urging precisely the sort of trade steps now announced. Similarly, Senator Lloyd Bentsen, the chairman of which has jurisdiction over such trade matters, has talked favourably about at least a temporary waiver of Jackson/ Vanik.

In addition, President Bush repeated the US willingness to provide technical and expert assistance to help econon

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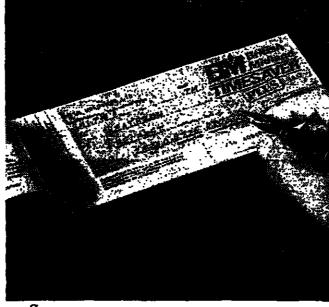
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## Berlin Politburo takes collective step to oblivion

HE mass resignation yesterday of the East German media, stoked by three-and-a-half weeks after it massive corruption and abuse fook office, marks one more step towards the dissolution of the Socialist Unity (Commu-nist) Party's 40-year hold over East Germany. in its place comes a power

The breathing space schieved for the Communist leadership by the new faces promoted to the top last month has proved short-lived.

So deep is the crisis in the Communist Party that its entire Central Committee also quit yesterday without even waiting for the special party

waiting for the special party congress later this month, when rank-and-file members are expected to sweep out many old stalwarts and replace them with reformers.

The crisis of confidence in the Socialist Unity Party (SED) has gathered pace since the Berlin Wall was opened on

Free travel to the West has introduced a new mood of cold-realism about the country's economic plight. And a sudden massive corruption and abuse of privileges by the entourage of Mr Erich Honecker, the deposed leader.

Anger is all the greater because East Germany was

supposed to be the first workers' state on German soil. "This was not Socialism, but Stalinism," according to Mr Stefan Heym, the dissident East German novelist, who is among opposition figures dis-traught at the psychological damage of the corruption reve-lations lations.

Others would go further. The web of numbered bank web of numbered bank accounts, secluded hunting lodges, Western luxuries and clandestine international trading deals surrounding the former SED leadership throws up unflattering parallels with the unfettered life-styles of Nazi chiefs under the Third Reich.

Mr. Egon Krenz, the successor to Mr Honecker, who lasted only six weeks as party chief.

only six weeks as party chief, was whistled and shouted down when he tried to caim several thousand enraged SED



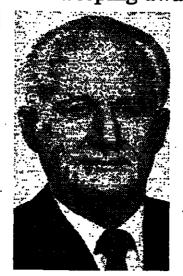


SED was not "corrupt", he

Although Mr Krenz lived in Wandlitz, the secluded party residence north of Berlin, he

claims not to have shared in the privileges enjoyed by Mr Honecker and Mr Mittag. Mr Krenz said he had

instructed the state prosecutor to look into all allegations, regardless of the rank of those accused. But the mere fact that









Yestarday's casualties, from left: Egon Krenz, party leader, who resigned and Erich Honecker; his predecessor, expelled from the party; Günter Mittag, Harry Tisch and Gerhard Miller, all former Politburo members arrested on corruption charges; and Alexander Schalck-Golodowski, former Foreign Trade chief, wanted by police for illegal arms trading.

members outside the party's headquarters on Saturday.

After demonstrations in sev-

eral cities and strike threats from indignant factory workfrom indignant factory work-ers, East German radio and television at the weekend pointedly carried stories call-ing for the Politburo to quit. Yesterday's news of the arrest of leading members of the Honecker regime – headed by Mr Günter Mittag, former economic planning czar – was an attempt to hoost confidence

an attempt to boost confidence in a cleansing process at the top. But in view of the network of fraud and deceit coming to light, it is uncertain whether confidence can be restored.

Polithuro for six years and a Mr Krenz has to give the proseclose confident of Mr Honecker, has protested he knew nothing of irregularities. On East German TV at the end cutor instructions underlines of last week, he spoke of "indignation, anger and shame" at revelations. The

cutor instructions underlines
the dependence of judicial
authorities on the political
leadership.
The delay between the ousting of Mr Honecker and firm
efforts to clear-up the allegations of infringements has
been a prime factor behind the
public disquiet over whether
Mr Krenz really brings in a
new broom.
The protests go well beyond

The protests go well beyond complaints about the former leadership's lavish life at Wanditz and at hunting lodges in Mecklenburg. Building and equiping these residences appears to have been one of the many uses of secret SED

funds earned through the manifold foreign exchange procurement activities co-ordinated by Mr Alexander Schalck-Golod-

mr Alexander Schaick-Golod-kowski.

"Big Alex", as his colleagues respectfully call him, was head of the SED's multifarious cur-rency transactions department, with activities ranging from the earning of commissions on Eart West trade deals to the East-West trade deals to the supplying of expensive West-ern limousines for the party nomenklatura.

mr Schalck, whose operations were closely enmeshed with the secret service, was last night said to be outside East German many, with an East German

arrest warrant out for him. The heated emotions behind yesterday's arrests were sparked off by a statement late on Friday to the East Berlin Volkskammer (Parliament) by Mr Heinrich Toeplitz, the

chairman of the new commit-tee set up to investigate alleged corruption.
East German deputies voiced dismay at reports that clandestine East German companies had lodged around 100bn East marks in foreign exchange and gold with Swiss banks. Several women Volkskammer deputies

were in tears. Similar indignation has been aroused by discovery of a secret arms cache near Rostock, on the Baltic coast, main-tained by Imes, a secret arms-trading company set up by the SED to supply weapons to the Middle East, Africa and South

America.
The official news agency, ADN, said residents were out-raged at finding unsuspected stores of filled ammunition boxes, weapons and other military technology maintained dangerously close to houses. Further revelations are almost certain as the result of the work of the parliamentary

Time to clear up the ques-tions of responsibility and defuse the dismay is fast run-

## Prague opposition to renew protests over new cabinet

By Leslie Collit in Prague.

"THIS IS even worse than the grow more powerful and to old government," a member of the Civic Forum opposition said, shaking his head in disbelief at yesterday's newly formed cabinet in Prague under Prime Minister, Mr Lad-

islav Adamec.

It was worse, he said, because the opposition had demanded a pluralistic government and was instead con-fronted with a massive 16 out of 20 cabinet appointers who were members of the Commu-nist Party.

The key defence and interior ministries were again both given to communists, although Civic Forum had called for a Civic Forum had called for a non-communist to be named to one of the posts. It also demanded that both men be civilians, but the new Defence-Minister was again a military man, Gen Miroslav Vacek, and the Interior Minister, Mr Frantisek Pinc, was believed to hold military rank

Mr Adamec appeared to with what amounted to a reshuffled communist-dominated government. A senior Communist Party official noted that: Mr Adamec was essentially doing the bidding of the party's new general secretary, Mr Karel Urbanek, who was flexing his muscles against the

Civic Forum's spokesman, Mr Jiri Diensthier, said after the cabinet was announced that the opposition was calling for a "gathering of citizens" at 4pm today on Wenceslas Square in protest against the new government. This meant a resumption of the daily massprotests which brought down the former communist leadership under Mr Milos Jakes and led to the resignation last week of Mr Adamec's previous gov-

The demonstrations, suspended last Tuesday after a general strike, were likely to

By Judy Dempsey In Vienna

AS reforms sweep throughout Eastern Europe, Mr Nicolae Ceausescu, Romania's hardline

President and Communist Party leader who has repeat-edly rejected erosion of the

party's monopoly, has delivered a bleak analysis of the

country's economic situation.
Speaking last Friday to a
meeting of the Political Execu-

tive Committee, the equivalent of the polithuro, Mr Ceausescu listed a catalogue of griev-

ances, including the food short-Although he regularly criti-cises ministers, and sacks

them almost at random, for

their failure to fulfil the plan

their failure to fulfil the plan-and to boost exports — the plank of Mr Ceausescu's eco-nomic policy — this time he explicitly criticised the PEC itself, over which he and his extended family hold consider-able influence.

"There have been many shortfalls in the past," he said, "which are linked to the way

able influence.

Ceausescu bleak on

economic prospects

continue until the newly announced government stepped down, opposition lead-ers indicated.

Persistent rumours of an imminent crackdown on the opposition by the army and security forces were not wholly rejected by Civic Forum, but were thought to be unlikely in view of the international situa-

The Soviet Union on Satur-day admitted that it wrongly intervened militarily in 1968 and Moscow offered no hint of support for a hardline solution in Prague now.

"The Government doesn't control the army and no-one controls the security forces. For that matter we scarcely control Civic Forum outside of Prague," Mr Jan Urban, a lead-ing opposition member, noted. In such a situation there had to be a compromise with Mr Adamec. "But we cannot com-promise too much," he said.

The five non-communists in The five non-communists in the cabinet consisted of three appointees with no political affiliation and only one each from the People's and Socialist parties. This was a slap in the face for the Socialists in particular, who had backed the opposition in recent weeks.

Of the the cabinet amount

Of the the cabinet appoin tees, 60 per cent were previous members of the Government and six out of 21 came from Slovakia which forms the smaller part of the Federation with the Czech Lands. One woman made it into the cabinet, Ms Kvetoslava Korinkova, who is responsible for the People's Control Committee.

Mr Jaromir Johanes remained Foreign Minister and Mr Bohumil Urban continued as a first deputy Prime Minis ter. Mr Jaromir Zak retained his dual posts as a deputy Prime Minister and head of the State Planning Commission.

in absolute order, that the whole style of ministers, and

activists of the workers' revo-

hitionary democracy, work." He gave no indication how

the food shortages, exacerbated by the fact that much of the

produce is earmarked for the export market, should be tack-

However, he called for what he termed "a special pro-gramme needed to mobilise food production and light

industry within two years to satisfy consumer demand".

The last time Mr Ceausescu

addressed the question of food supplies was in 1982, when, desperate for hard currency to

repay the country's hard currency debt, he justified divert-

ing produce away from the domestic market to the export

market on the grounds that the Romanians were either eating too much or were hoarding vast amounts of food.

At the same time, he said

that Parliament, which the party controls with an acon-hand, should "play a greater role". He did not spell out in

any detail how parliament's

And in language typical of non-existing influence could be his haranguing style, Mr Ceausescu insisted that it was "absolutely nacessary.". and responsible to the party.

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"which are linked to the way
the PEC prepared certain
adopted measures and above
all, the way it prepared the
action to make them work."
And in language typical of
his haranguing style, Mr Ceausescu insisted that it was
"should be appropriated that it was

#### **EASTERN EUROPE**

## Azerbaijan defies Kremlin Bulgaria in dispute with Armenia

THE Government of the Soviet republic of Azerbaijan has said it will reject part of a Kremlin ruling altering the status of the disputed territory of Nagurno-Karabakh.

The declaration, announced The declaration, announced by Mrs Elmira Kafarova, presi-dent of the Azerbaijani Supreme Soviet, effectively scotches the Kremlin's attempt to resolve the dispute between Armenia and Azerbaijan over the gregary. It will also find the the enclave. It will also fuel the conflict between the central government in Moscow and the two bitterly hostile republics. Under Moscow's plan, a new

commission responsible to the Supreme Soviet in Moscow is to be responsible for troops sent to the area to keep the

peace.
But Azerbaijan regards this as an infringement of its sover-

In Armenia on Friday, the local parliament announced that it was setting up a united Armenian republic encompass-

YUGOSLAVIA, already hit by ethnic violence and economic

crisis, now faces the prospect of disintegration over a bitter row between the two powerful

republics of Serbia and Slov-enia, Reuter reports from Bel-

The Balkan federation of eight republics and provinces

appears to be tottering on the brink of chaos after its biggest

republic, Serbla, declared an

unprecedented trade war on Slovenia, the most Westernised

republic, which borders Italy

and Austria.

"Yugoslavia has been abolished as a state," said Slaven Letica, professor of Sociology at Zagreb University. "It has been broken into three quasicates. Sorbia Slovenia and the

states: Serbia, Slovenia and the

Mr Stipe Suvar, a member of Yugoslavia's highest constitu-tional body, the State Presi-

dency, said he would demand

that it tackle the issue at its

constitution, one republic can-

"According to the Yugoslav

rest of the country."

next meeting.

Trade war plunges

Yugoslavs into crisis

ing the existing republic of Armenia and the autonomous republic of Nagorno-Karabakh, which is an Armenian-populated enclave surrounded by Azerbaijan.

This means that Armenia is openly flouting the Supreme Soviet's authority by declaring Soviet's authority by declaring that Armenian laws apply in Nagorno-Karabakh, and that, in Armenian eyes, the legal government of the enclave is the national council of Nagorno-Karabakh, whose 53 members attended the meeting of the Armenian parliament.

The situation remains tense throughout the region. In the Azerbaijani capital, Baku, half a million people gathered at the weekend to protest against Armenia's declaration of its merger with Nagorno-Kara-bakh.

No trains are running into Armenia from Azerbaijan, because the Azerbaijani popular front has been organising a

not declare a break of relations with another republic," he

on Thursday, 130 Serbian enterprises said they would break off all ties with Slovenia. The move was prompted by a Slovenian ban on a Serb rally in the Slovenian capital of Ljubljana which local leaders feared could have ended in

feared could have ended in

Sociologist Slaven Letica

said the Serbian decision for-mally abolished a unified Yugoslav market. "It breaks

Yugoslavia into two spheres of influence, Slovene and Ser-

Slovenia has deep roots in the two republics' differing views

of the country's future, with Slovenia calling for multi-party rule while Serbia advocates a strong centralised Yugoslavia. As the states of Eastern

Europe head for democracy, Yugoslavia's internal splits have widened over the past few

months, stalling its economic reforms and precluding a uni-

The row between Serbia and

groups both the Supreme Soviet and

Federation to resume work,
Most Armenian food is supplied by rail from Baku, so a
transport strike in effect imposes an economic blockade on Armenia.

on Armenia

Azerbaijanis have been fleeing from Armenia and the
neighbouring Transcaucasian
republic of Georgia.

In Baku local newspapers reported that homeless refugees had attacked blocks of flats, beating up residents.

A member of the popular front of Azerbaijan, Mr Nazim Ragimov, said that troops were reported to be massing near the emital. reported to be massing near the capital.

The seriousness with which Mr Mikhail Gorbachev regards separatism was underlined by a message to the Lithuanian Communist Party, which was meeting at the weekend to discuss breaking its links with



THE Soviet Union is to get its

The agreement to set up the Frans Lurvink.

# independent

BULGARIA is to legalise

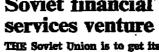
state secrets will be thor-oughly overhanded. In future, the national assembly, and not the council of ministers, will prepare a list of what are deemed to be state secrets. It is expected that items such as accidents, production costs, the budget designt and the the budget deficit and the external debt will be taken off

the list.

The measures, which were announced by Mr Philip Bokov, the newly-appointed government spokesman, will legalise the many independent movements, ranging from the environmental group to free trade unions, which until recently were persecuted by the authorities.

the authorities.

The decision to press ahead The decision to press ahead with these radical changes is aimed at reassuring the public that Mr Petar Miadenov, the recently-elected communist party leader, is determined to press ahead with legal and social reforms to modernise the country and bring its legislation into line with its international agreements. national agreements.



first Western-style financial services company, writes John Parker in Moscow. It is the East-West Development Corporation, a 50/50 joint venture to be based in Mogilev, 500km south-east of Moscow.

corporation was signed by the Corporation was signed by the Republic of Belorussia and a new holding company, Lur-vink, which is 60 per cent owned by an industrialist, Mr

is already meeting strong regional resistance, especially from Serbia, in implementing It will advise ministries and factories based in Mogilev on purchasing policies and invest-ment. It will also advise the his economic policies and dip-lomats said the latest split would make the IMF dubious local government on economic policy, especially introduction of market mechanisms. of the chances for reform in the country.



independent movements and permit demonstrations under sweeping legislation soon to be debated in the national assembly, or parliament. At the same time, the law on state secrets will be thor-

cuss breaking its links with the Communist Party of the

The latest row could disrupt

Yugoslav negotiations with the International Monetary Fund. Prime Minister Ante Markovic



By Hugh Carnegy in Jerusalem

in Nablus

THE Israeli army moved over the weekend to purge the cas-bah, or old town, of Nablus, bah, or old town, of Nahus, killing four men said to be members of an armed gang, arresting many other Palestinians and seizing knives, axes and swords in a tough operation against one of the most violent centres of the uprising in the West Bank and Gaza

All 11-year-old girl was also reported killed yesterday during a wave of angry demonstrations in Gaza against the operation in Nablus. The surge in violence was the worst for some weeks and comes ahead of the second anniversary this Saturday of the start of the

The army action followed a spate of activity in Nablus recently by at least two Pales-tinian gangs involved in a wave of brutal killings of fellow Palestinians accused of colow Palestimans accused of co-operating with the authorities. Their attempt to display con-trol over the local population, including staging parades and

"curfews", was a clear chal-lenge to the security forces. The response began on Friday when a group of soldiers said by Palestinians to be dis-guised in Arab dress con-fronted the leader of the so-called "Black Panther" group and several colleagues at a barber's shop in the casbah. Four were shot dead and several others wounded.

THE Canadian economy is

likely to slow next year, as a result of a decline in export volumes and restrictive policy at home, the Organisation for

Economic Co-operation and

Development reports today. Thought the 24-member

grouping of leading industrial nations describes the economic record of the past few years as "impressive" it cautions that

there has been insufficient progress on reducing the bud-get deficit, and that inflation

remains a concern.

Despite the impact of last

year's drought, real GDP growth was at a rate of 5.2 per cent last year, but is projected to decline to 3.2 per cent in 1969, falling again to 2.3 per

cent next year. The Government's fiscal

problems, with a deficit of C\$28.9bn (\$25bn) last year and a projected deficit of C\$30.5bn this year, are blamed largely on unforeseen high interest rates, raising the level of inter-

est payments. The restrictive 1989 budget is likely to yield budgetary savings of C\$1.5bn this fiscal year and C\$2.1bn

next. This seems "necessary and sufficient" to put fiscal consolidation back on a track

consistent with the policy

objective of stabilising (by 1990/91) and reducing the pub-lic debt/GDP ratio, the report

says. But inflation remains a prob-

## PLO replies to US peace proposals

By Jihan el-Tahri and Lamis Andoni in Tunis

Organisation has "accepted to deal with" an American plan to open an Israeli-Palestinian dialogue provided that the organisation plays a direct and prin-cipal role in all stages of the peace process.

The PLO submitted its final

reply simultaneously to the Egyptian Government and the American embassy in Tunis late on Friday night. The reply comes after more

than two months of a flurry of proposals and counter-propos-als to break the impasse. The Palestinian response indicated that the PLO has stiffened its stance by demand-

ing that the organisation be represented directly at the dia-Previously, the PLO insisted on retaining the right to choose members of the Pales-tinian delegation but the final response implies that the PLO

rejects any separation between the organisation and the dele-According to PLO officials, the American administration had suggested that Egypt name the delegation while the PLO's role would be reduced to that of "an invisible adviser to

Cairo". "This response represents the minimum which the PLO can accept ... otherwise it would be like asking us to approve our own exclusion from the peace process," Mr Salah Khalaf Abu Iyad, a high-ranking PLO official, said in an

lem. "The persistence of infla-tion at or above 4 per cent since 1984 is in stark contrast to the declared policy goal of price stability proclaimed by the monetary authorities," the report says. It commends the tightening of monetary policy this year as "appropriate", and

this year as "appropriate", and says that a continuation of this

policy - and of the appreciation of the Canadian dollar, which reached a nine-year high of last week - may be necessary. It adds that replacing the

current sales tax in 1991 with a Goods and Services Tax could

raise inflation by 2 per cent. "It is crucially important that this increase in the price level not initiate a self-perpetuating price-wage spiral.

Canada's current account deficit has deteriorated because of slippage on the trade account, the report says.

Imports, particularly of capital goods, have risen rapidly. The increase has largely been the result of buoyant investment

in machinery and equipment.
The OECD praises the structural reforms carried out by
the Government of Prime Min-

ister Brian Mulroney, elected

in 1984, under its Agenda for Economic Renewal But, it

says, average total factor pro-

ductivity has been among the lowest in the OECD area, and

more must be done to increase the role of market signals. In

particular, it singles out agri-

OECD sees slowdown next

year in Canadian economy

THE PALESTINE liberation interview. PLO officials explained that members of the delegation would not necessar-ily be confined to members of the PLO, but that any delega-tion would officially and pub-licly represent the organisation at the dialogue.

at the dialogue.

The three-page response also stipulated an open agenda as well as international sponsorship of the dialogue which would be a first step towards the convening of an international peace conference on the Middle East.

Israel insists that the dia-

Israel insists that the dialogue deals only with the modalities of holding elections in the occupied West Bank and

Gaza Strip.

The PLO's reply stressed that it refers to the original plan put forward by the American Secretary of State, Mr James Baker, on October 6 and not to Israeli-suggested modifi-cations to the proposal from Washington.

Egyptian pressures to get the PLO to accept the Baker plan unconditionally appear to have been stifled and Cairo has reportedly sent a memorandum supporting the final PLO posi-

Copies of the Palestinian osition have been sent to the Soviet Union's embassy in Tunis and to Western embas-

The reply contains criticism of what the PLO describes as "unfair and vague" US clarification regarding its role in the peace process.

cultural reform, further trade liberalisation within the con-text of the General Agreement on Tariffs and Trade, and reduction in inter-provincial

The OECD's predictions are optimistic compared to those of many financial institutions.

The Conference Board of Can-ada, averaging the predictions of 14 forecasters, expects growth to slow to 1.6 per cent in 1990 from 2.5 per cent this year, largely because of more pessimistic views about the

Contractionary effects of the Bank of Canada's policy.

The OECD remains agnostic on this point. "On the one hand, the continued resilience of portion of contraction of the continued resilience of portion of the continued resilience."

of nominal spending to restrictive fiscal action and persistently tight monetary policy might suggest that the stance of policies has so far been inad-

equate to achieve the desired degree of disinflation. On the

degree of disinflation. On the other hand, there are definite signs that domestic economic activity is already slowing. Hence further tishtening might risk a more pronounced slowdown in GDP growth or recession. On balance, the risks attached to the projection would appear equally divided." Figures released last week-

Figures released last week show that real GDP rose at a

seasonally adjusted annual rate of 2.4 per cent in the third quarter, double the rate in the previous quarter.

barriers to trade.

letting the conflicting interests

fight it out.

Whether all this will have much effect on the LDP's popularity, which has been recovering steadily under Mr Kaifu's quiet leadership, remains to be seen. Unfortunately for the seen. Omortunately for the party, this setback has come just as the trials of those accused of bribery in the Recruit scandal have begun, thus reminding the public of the LDP's corrupt fund-raising

The opposition may use the tax reform plan as an excuse to stiffen its resolve not to co-operate with the LDP on any legislation. JSP leaders have already said they will oppose passage of a supplementary budget that would normally be presented at the opening of the regular Diet session late in January. If so, Mr Kaih, who must call an election before next July, might dis-solve the lower house at that point, leading to an election on February 18 or 25.

#### Kaifu, who has no power base within the party, is said to have stayed on the sidelines, ing defeat in last July's elections for half the seats in Japan boosting stake in Europe's output

**OVERSEAS NEWS** 

Tokyo tax wrangle may hurt LDP

the upper house of the Diet

(parliament). After the elec-

tion, party leaders decided to draft a reform of the scheme,

mainly to have something

mainly to have something attractive to present to the public in response to the opposition parties' initiative to abolish it. Neither plan was expected to be implemented, because the opposition now controls the upper house, the LDP the

However, internal negotia-tions soon foundered. Mr Kaifu and other leaders wanted a

drastic reform, while Mr Noboru Takeshita, the former

prime minister who introduced

the scheme and remains a pow-erful figure in the party, suc-

cessfully resisted any substan-tial tampering with his main

legislative monument.
Under the messy reform

plan, childbirth and burial

expenses, tuition fees, text-books and housing rents would

be exempted from the tax. Food would be exempted at the

to the powerful farm lobby, a

1.5 per cent rate would be

maintained at the production and wholesale levels to enable

farmers to pass on some of the tax paid on their inputs. The

new exemptions, which would come into effect next October, would knock off Y1,140km from the anticipated Y6,000hn in revenue from the consumption

tax in a full year.

Ms Takako Doi, chairman of
the Japan Socialist Party (JSP).

said the consumption tax sys-tem would remain "compli-cated, irrational and unfair" if

the plan were implemented and accused the LDP of going back on its promise of drastic

Even LDP members were

critical of the plan. "It is not

simple and not impressive," one said. Party members also complained that the drawn-out

negotiations exposed a lack of

leadership in the party. Mr

By Guy de Jonquières, International Business Editor

JAPANESE companies are likely to account within 20 years for 5 per cent of manufacturing production in Western

JAPAN'S accident-prone ruling Liberal Democratic Party

(LDP) may have scored another own goal with the pub-

lication of its long awaited

plan to reform the unpopular 3 per cent consumption tax

system introduced last April.

The new plan, an unhappy compromise between conflict-

ing interests within the party, was called irrational and

clumsy by opposition parties, economists and even some LDP

parliamentarians, and the struggles over its content have raised doubts about the leader-

ship abilities of Mr Toshiki Kaifu, the Prime Minister.

Thus, it risks becoming a fresh focus for public discon-tent with the LDP rather than

helping the ruling party rebuild support in the run-up to a general election expected in mid to late February.

The unpopularity of the orig-

inal tax plan was a contribut-ing factor to the LDP's crush-

manufacturing production in Western Europe and 15 per cent in Britain, according to a study.\*

The study, by Professor Douglas McWilliams, chief economic adviser to the Confederation of British Industry, says that in that time the Japanese shares of UK motor and electronics production may rise to as much as 25 per cent and 60 per cent regressively. cent, respectively.

The study warns, however, that the

surge of Japanese direct investment into Britain is unlikely to continue at recent rates and may be bindered by uncertainties in Japan about the UK government's

None the less, Britain is likely to remain the favourite European location for Japanese investment, attracting 30 per cent of the total by the year 2000. Germany is expected to account for 20 per cent and Spain for 15 per cent.

The study foresees a steady growth of Japanese acquisitions in Europe. Between now and 1995 there are likely to be about 200 such deals, accounting for 20 to 30 per

200 such deals, accounting for 20 to 30 per cent of total Japanese manufacturing cent of total Japanese manufacturing investment in Europe.

The main beneficiaries of the Japanese influx will be local suppliers and employees and public authorities in areas where investment is concentrated. The main los-

ers will be European companies compet-ing with Japanese firms for skilled staff. The study says there is little evidence that Japanese companies only set up "screwdriver" plants in Europe which assemble imported components, though it says Japanese investment can displace reaker local competitors. It also says that many Japanese produc-

tion centres in Europe are likely for some time to remain "branch" plants, which operate on the basis of decisions taken in

European Economic Report, November 1983; McWilliams Economic Services, 91-93 Charterhouse Street, London ECIM 6HR. Tel: 01-608 3252.

#### More arrests over Pretoria 'death squad'

By Jim Jones in Johannesburg

THREE more men, one a serving policeman and another a former policeman, were detained in Johannesburg at the weekend as part of a police investigation into the May 1 assassination of Dr David Webster, a university lecturer and prominent anti-apartheld activ-

Dr Webster was one of a number of anti-apartheid activists allegedly assassinated by police death squads.

In another development in the case, lawyers acting for for-Ferdinand Barnard, who was arrested several weeks ago accused of slaying Dr Webster, say Mr Barnard has told the police he was a member of the military intelligence branch of the South African Defence Force (SADF).

At the weekend Mrs Glenda Webster, Dr Webster's widow, disclosed he had been a member of the ANC for 11 years and that he had spied for the ANC on the South African military.

According to the Sunday Star newspaper, Dr Webster had uncovered evidence that the SADF was training mem-bers of Renamo, the Mozambican insurgency group. South Africa openly backed Renamo for many years but was chilged to cut off its support in terms of the 1984 Nkomati accord signed by former President P.W. Botha and the late Moz-ambican President, Mr Samora Machel.

Pretoria vigorously denied periodic allegations that it had clandestinely continued to sup-port Renamo despite its treaty obligations. On Saturday, the Defence Minister, General Magnus Malan, told a military passing out parade in the East-ern Cape town of Oudtshoorn that the SADF would no longer participate in cross-border raids, and that it had no further reason to support anti-government groups in neigh-boaring countries.

## Poll advance by Taiwan

opposition

TAIWAN'S ruling Knomintang (KMT) party will face sharply increased pressure to introduce democratic and other reforms during the coming months, John Elliott reports from

Taipei.
This follows the country's first free elections which took place at the weekend and boosted the standing of the main political opposition, the Democratic Progressive Party. Amid allegations of vote buying and ballot rigging the DPP claimed that it had comfortably achieved its targets by gaining as to 45 per cent of

votes cast.

Official party figures were not available last night. But the DPP, which was contesting for the first time as a legal opposition party, claimed that its supporters had won 24 seats in the 300-seat parliament, no from 12 in 1988. This exceeded the 20-seat minimum needed to be able to introduce legislation.

Asia begins in Amsterdam with China Airlines.

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## BACK IN THE USSR.

Driving pleasure knows no frontiers. An auto-

BMW is therefore represented in the Soviet capital - not far from Red Square - one of many places around the globe displaying the blue and white emblem.

The 7 Series has wide international support, as is impressively demonstrated Puschkinskaja ul. 9/10, Mosco

by the many awards it has received throughout the world.

In England, the home of the luxury limousine, "What Car" has chosen it as the "Car of the Year" in '87 and '89 and as the "Best Director's Car" in '87. In extremely car-concious Japan, "Sports Nippon" awarded the title of the "Best Import Car" to the 735i.

In Italy, with its leading automobile couturiers, jurors from eleven mobile which is so highly recommended is also appreciated in Moscow. I international specialist journals added the "Car Design Award" to an

already impressive prize list.

In the United States, the country with the largest automobile market, the 750iL obtained the "Best Overall New Car", "Best Foreign Sedan" and "Best New Engine" awards, all in 1988.

At home in Germany, the 7 Series was

elected in 1989 - for the third time in succession - as the "best (premier class) car in the world" by the readers of "auto motor und sport".

For BMW, this impressive international success for the 7 Series is not just well-deserved recognition, it is a spur for the future.



The ultimate driving

THE European Commission plans to put forward new legis-lation on energy efficiency, and is to order an inquiry into whether energy taxes could be changed to cut consumption and make energy prices better represent the environmental

These are two measures contained in a paper on energy and the environment agreed by the Commission last week, out-lining Brussels first attempt at an environmentally sound

energy policy.

The report addresses the long-term problem of how to reduce carbon dioxide emissions, and hence ease the greenhouse effect. It warns that in the absence of any measures taken by the Commu-nity, such emissions will grow

ontinuously until 2010. The subject has proved contentious among commissioners and is likely to be more so among member states. Not only does it cut across the question of nuclear power, on which member states are divided, but also across the sensitive issue of energy taxation. It has taken four months to agree on the report within the Commission, and extra paragraphs spelling out dangers of nuclear power have had

subsequently to be inserted. The Commission studiously avoids taking a view on the future of nuclear power, and simply proposes that there would be general debate on its merits and dangers to establish broad political goals. However the report implies that the most effective way of cutting carbon emissions would be to

give larger priority to nuclear

A second measure is to con-

duct a survey on energy taxes in member states to make

them more sympathetic to environmental needs. One pos-sibility would be a system in

which energy taxes were raised when oil prices fell and vice-

versa. However, such action is

likely to be contentious. The report raises the possibility of

an overall increase in energy taxation and calls for an exam-

ination into the use to which

such extra resources could be

Further help is expected

from an Ecu700m Commission fund, awaiting approval of member states, designed to

encourage development of

energy technologies. The final

initiative is to set up voluntary codes of conduct with energ industries, laying down the

basis of how they should react on environmental issues.

EC Commission chooses the fast-track approach Tim Dickson reports on progress towards a common transport policy for the single market

HEN Mr Karel van Miert was given the y job of European Community Transport Commissioner at the start of 1989, few outside his native Belgium took much notice of this once fiery Flemish Socialist. Over the last few months,

It notes that if all the however, Mr van Miert, who is nuclear power stations in Europe were replaced by coal-fired stations, carbon dioxide emissions would rise by 70 per cent. In a recent discussion 46, has attracted growing attention beyond Brussels as the EC Commission has sought to lay the foundations of a common transport policy capa-ble of serving the interests of a paper on long-term energy policy, the Commission concluded single European market. that in order to reconcile grow-ing energy demand with a Radical, and invariably con-troversial, new ideas have been clean environment, nuclear capacity in Europe might have tabled on airlines, shipping and railways since the beginto rise by about 120 per cent ning of the year. The struggle to force member states to over the next 20 years. The report proposes four accept a fresh dose of liberalis areas for early action. The first is a special action programme ation in their road haulage for vigorous energy efficiency which will include as yet unspecified Community legisla-

markets could pay off today or tomorrow with an important deal on "cabotage" in the coun-cil of transport ministers. (Cab-otage is the freedom, currently denied in the Community, for non-residents in a member state to offer transport services within that country's borders.) Responsibility for leading the negotiations at today's meeting will fall to Mr Michel Delebarre, France's Transport Minister, the council's current chairman. There is much at stake for France in the last transport meeting of its six-month EC presidency. The occasion will also be a test, however, of the Commission's and Mr van Miert's attack on some of the Community's most entrenched and powerful

national monopo Some people in Brussels worry that Mr van Miert's boy-ish looks are a sign of his lack of experience in the tricky poli-

THE CONSORTIUM headed by

Mannesmann, the engineering

company, has emerged as the front runner to win the licence

for West Germany's first privately-operated mobile tele-phone network, to be awarded

by the West German Govern-

ment this month, writes Andrew Fisher in Frankfurt.

Shares of Mannesmann and

of Cable and Wireless, the UK

company in the consortium.

rose sharply on Friday in antic-

ipation of a favourable decision by Mr Christian Schwarz-

tics of the EC Council chamber. Such concerns can only be resolved over time. In a recent interview, however, Mr van Miert responded to another set of criticisms: that certain of the Commission's ideas are at best unclear, at worst incoher-

"In the past transport policy has not been in the centre of our preoccupations," he admit-ted, "but new that the single market is under way and transport problems in the member states are increasing in number it is becoming absolutely crucial."

As befits a Socialist, Mr van Miert insists that such a policy Mert insists that such a policy must have safety, social, environmental, and international dimensions as well as being about competition. "I think that competition is a very important element," he explains, "but it is not the only one." While threatening member states with a new action in the European Court of Justice if they do not take a "significant step" towards cabotage, for example, he talks equally earnestly of his plans to consult employers, workers "and all interested parties" on Brussels' wider strategy for the road transport sector.

road transport sector.

The real prize for this Commission, however, is piloting through the proposals wrapped up in what is known as the second aviation package — a series of liberalising measures designed to break the strangle-hold which governments and the hig state carriers continue the big state carriers continue to exert over this most impor-

Cheaper and more varied travel within the European

The German mobile tele-phone market is underdevel-oped compared with other

European countries such as Britain or Sweden, and the

growth in subscribers is fore-

cast to be rapid in the 1990s. Two networks will be created,



in the single market. Lower fares - which have signally fares — which have signally failed to flow from the first package negotiated by the previous Commission — also offer the opportunity to win wider popular approval for the Community and its institutions.

In contrast to the barely concealed squabbles in the last Commission, Mr van Miert commission, are van salert appears to enjoy a fruitful understanding with Sir Leon Brittan, his colleague responsible for competition policy. But there are fears among the reformers that conservative sirline elements in the Commission of the Comm munity are already closing

The British Government, among others, is suspicious that the emphasis on harmonising safety and other stan-dards in the Commission package may slow down the momentum for change. But Mr van Miert betrays little lack of

"There is a big clash between the member states and the question is how far we can go," he says. He is confident that progress can be made in further limiting the anticompetitive arrangements between governments on air-line capacity sharing, in providing better access for new airlines; and in the develop-ment of more inter-regional



services. But he concedes that there are a number of "diffi-

sion's proposal for "double dis-approval" of new fares -meaning that new tariffs proposed by airlines could only be blocked if both governments at the ends of the route were against. "There is reluctance, even hostility," he says. "But member states have to accept that under the first package fares did not become more attractive for the consumer and therefore something must be done. At some point the double disapproval system must function, even if it is after an interim period.

duce what Mr van Miert calls "a list of contract obligations, or charter" governing relations between governments and their airlines. The issue is illustrated at present by the French Government's refusal to grant its second hig carrier, UTA, access to European

cult" points. One of these is the Commiswhat shipowners are really after is compulsory legislation giving them fiscal and finan-cial benefits. The trouble is, he adds, "we just don't have the

The other big problem cen-tres on Brussels' plan to introby the Commission last month for a Community railways pol-icy. Much debated and altered

routes served by Air France.
'There must be a right to operate when an airline is economically viable and meets the rele-vant norms and standards for safety and security," says Mr van Miert. "There has to be transparency — if companies feel they are not treated well they should have the possibility of knocking on the door of the Commission for redress.

Some of the sharpest industry criticism of Brussels has been directed at the EC's new

shipping proposals – notably the idea for a Community "flag" intended to discourage European shipping companies opting for flags of convenience, and the accompanying framework for payment of state aid.
Mr van Miert concedes that the Commission has been torn between "those who advocate a real shipping policy, and those who say leave it to the mar-ket." But he believes that "the real issue is money" and that

resources at EC level." As for criticism from shi-powners that officers of vessels flying the "Euros" flag will have to be Community citizens - with the rest of the crew at least 50 per cent of EC origin
— "the trade unions are saying
that we are going too far, we are being too liberal. On the other hand we are being told we are not going far enough."

Perhaps the most intriguing, if so far least understood, set of transport ideas is contained in the "communication" approved

during internal deliberations in Brussels, the lengthy docu-ment contains two main proposals - compulsory separa-tion in accounting terms of a country's railway infrastructure from the services which use the track, and guaranteed community transit rights for so called "international" rail companies, which in practice means joint ventures between railways in at least two member states.

Contrary to some reports, there would be no automatic right of access for new rail companies to run services over a country's track but this is clearly what the Commissioner envisages down the line. Normally it should be possible—why not? — that every railway company which has been authorised could use intrastructure wherever in the Com-

The Commission, he says, is starting from the beginning and will have to proceed "step by step." What is crucial is to get companies to work together He cites a lost opportunity in the case of the new Train à Grande Vitesse route Train a Grande Vitesse route from the coast of France to Brussels and Paris: "It is regretable, for example, that with TGV Nord it was not possible that the railway companies concerned did not create a common company to run and manage the business. It would have been very logical."

Mr van Miert describes the recent railway proposals as "a first package" akin to the first steps towards sirline liberalisa-tion. "Since we start from such an extramely frezen situation we are are talking about get-ting things moving."

#### World Economic Indicators

FOREIGN EXCHANGE RESERVES (US\$m) Sept. '88 38,698 18,015 35,530 34,001

Aug. '89 34,340 33,413 52,250 81,931 9,012 52,705 84,446 7,564 38,691 14,907 26,889 13,126 Aug. 88 26,320

Mannesmann favoured for mobile phone deal Mr Erhard Kantzenbach, fer-Schilling, the Postal Minister one run by the Bundespost, the Altogether, 10 consortia are in federal postal system, and the second by private industry.

The ministry refused to conthe running to win the licence. Analysts expect the licence to be highly profitable, although the investment to set up the network will cost at firm or deny reports that a spe-

cial advisory committee had recommended the Mannesmann-led consortium for the second network. The consor-tium also includes Pacific Telesis of the US, Lyonnaise des Eaux of France, and Deutsche Genossenschaftsbank (DG Bank). Mannesmann had no

The committee, headed by

mer chairman of the Monopo lies Commission, is believed to have singled out three consortia, the next two being those headed by BMW, the car maker, and MAN, the engineering concern. Also vying for the licence is a consortium of 70 small and medium-sized companies headed by the Matuschka financial group.

Mr. Schwarz-Schilling is expected to announce his decision this week, possibly on

#### Twelve die in fire and blast at Belgian shooting club A FIRE and gunpowder The accident happened when explosions yesterday killed a some of the 40 people at the

dozen people and injured eight others at a shooting club in suburban Brussels, officials said, AP reports from Brussels. Most of the victims were badly burnt when they were unable to escape from the engulfing fire and munition explosions at the "109 Club". Three of the injured had to be taken to a military hospital for treatment for severe burns.

some of the 40 people at the club were at the range for shoring practice.

The cause of the midday blast has not been determined, although police said sound isolation material around the range could have caught fire.

A Brussale roller A Brussels police spokesman

said this could have been caused when a spark touched off gumpowder residue in the air and on the floor.

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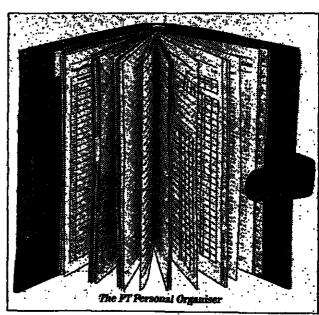
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the Prime Minister stepped up a gear at the weekend as Conservative MPs prepared for tomorrow's vote in the party's first contested leadership election since 1975.

Mrs Margaret Thatcher is expected to win a convincing majority over Sir Anthony Meyer, her token challenger. But there is no clear indication of how many dissenters will either abstain or vote against

her. Mere than 20 "loyalist" MPs spent the weekend rallying support for the Prime Minister

union offers

compromise

Professional Ambulance Personnel will recommend accep-

tance of the Government's 9

per cent, 18-month pay deal for ambulance workers if some ele-

ments of the overall package

Department of Health officials will this morning begin talks with the breakaway

group in a bid to break the deadlock in the 12-week-long

APAP, formed in 1981 after

the 1979/1980 health service unions' dispute, will form the basis of a new ambulance pay

negotiating body to run in par-allel with the existing Whitley Council, on which the five Trades Union Congress affili-

ated ambulance unions are rep-

resented.
It is thought likely that any

pay agreement reached with APAP would be imposed by the Department of Health on all of

the country's 22,500 ambulance

The five TUC unions rejected a 12-month, 6.5 per cent pay offer and the subsequent 18-month 9 per cent deal.

Nume, the union represent-ing the largest number of ambulance staff, said yesterday

that even if the Government did impose on all staff any deal with APAP, it would not end the dispute. "It would only

mean that people would have more money in their pockets to continue the dispute."

By Flona Thompson

are improved.

pay dispute.

THE Association

THE CAMPAIGN-to re-elect. under the direction of Mr George Younger, the former Defence Secretary, who is acting as her campaign manager. The vote is seen as a rare opportunity for the 374 Conser-

vative MPs to express in secret their anxiettes about Mrs Thatcher's style of leadership. A total number of votes and abstentions approaching 100 would be widely seen as evi-dence of widespread disen-

Mr. Younger yesterday acknowledged the Prime Minis-ter's attitude towards Europe had emerged as an issue in the

MANUAL workers at the Ellesmere Port plant of Vaux-hall, the car manufacturers, will win a 5 per cent wage rise—on top of any annual increase—as part of a deal on changed working practices and bargaining procedures agreed at the weekend.

Vauxier of the persuade General

agreement to persuane General
Motors, its US parent company,
to site a £200m engine plant
— which would provide up to
400 jobs — at the Liverpool
port. The alternative to Ellesmere would be at Kaiserslantern in West Germany.

The company failed, however, to win all it was looking
for from the mions in the five-

for from the unions in the five-

month-long negotiations which ended on Saturday. Vauxhall had said that today would be

the final deadline for a wage

Although neither manage-

ment nor unions would go into details yesterday, it is under-stood that Vauxhall did not

win the right to introduce dou-ble day shifts, which would have enabled the plant to stay

nave enabled the plant to stay open longer.
Although the unions were not wholly opposed to the idea in principle, the two sides could not reach agreement on pay for the shifts.

It is understood that the

company also failed to win the large-scale reduction it was looking for in shop stewards,

revives hope for

By Michael Smith, Labour Correspondent ,

£200m engine plant

MANUAL workers at the who presently number more

Ambulance | Vauxhall pay deal

divided the party. She is a strong pro-European . . She bas, however, strong views on how Europe can best run itself," he said

His remarks, however, coincided with comments on BBC Television by Mr Edward Heath, former Conservative Prime Minister, who described Mrs Thatcher as a "narrow little nationalist."

In addition, Sir Leon Brittan, the UK's senior European Com-missioner, signalled differences with Mrs Thatcher on several points in a television inter-

Nonetheless, the company has won considerable conces-sions. The unions have agreed

to more work flexibility and

increased teamwork in bargaining negotiations.

If approved by the 4,500 man-ual workforce at Ellesmere

Port, the agreement would also include a continuity of supply

deal, which would introduce scope for increased conciliation in disputes and, providing both

sides agree, the possibility of going to arbitration.

unions are optimistic that the deal will make Ellesmere Port a favourité to win the plant for

However, their hopes are clouded by their failure to

agree a deal on the separate issue of a pay deal for all 9,000 manual workers employed by

Union leaders will meet this week to decide on how to intensify their industrial

action campaign which has already led to a series of one-

Mr Bruce Warman, person-

nel director, said the company had kept the two issues sepa-rate but the pay dispute would not have a favourable impact

on General Motors when it

made its decision on where to

V6 executive car engines.

Both Vauxhall and the

view. The former Tory Home secretary backed proposals for an independent Bank of England and highlighted a "decided ambiguity" in the Government's alternative to the Delors report on European economic and monetary union.

Unease among Conservatives about Europe could undermine Mrs Thatcher's position at next weekend's European Council summit meeting in Strasbourg.
Last night she flew to Brussels
for today's briefing of Nato
leaders by US President George

Sir Anthony Meyer said he is

at odds with the Prime Minister over the European issues. He does not regard himself as a pretender to her throne but believes Conservatives should be able to pass judgment on Mrs Thatcher's premiership. In an open letter published

in The Sunday Correspondent newspaper, he said: "For a long time there has been a clear majority in the Cabinet in favour of joining the European Exchange Rate Mechanism. The Prime Minister almost alone has blocked it and there is every indication that she will go on doing so."



the Customs and Excise may be burned in a spectacular gesture towards the campaign to save the endangered African elephant,

fowards the campaign to save the endangered African elephants. PA reports from London.

A Customs officer (above) stands with some of the hundreds of tasks — equivalent to 500 dead elephants — stored in honded warehouses at Heathrow and Gatwick airports.

The stockpile, worth more than £630,000, cannot be auctioned to raise funds for wildlife conservation since Britain is commit-

to raise items for whethe conservation since schain is committed to the global ban on ivory trading.

Hong Kong merchants have by far the largest stockpile of ivory in the world, an estimated 670 tonnes, enough to keep the trade going for 10 years or more.

## BA to pay £30m for stake in

By Andrew Hill

Sabena

BRITISH AIRWAYS will this week confirm the purchase of a 20 per cent stake in Sabena, the Belgian airline, for about

KLM Royal Dutch Airlines is also buying 20 per cent and the balance will be held by the Belgian Government. Both British Airways (BA) and KLM, 39 per cent of which is owned by the Netherlands Government, are expected to have seats on the Sabena board. The deal was first heralded

in June but negotiations became bogged down while BA concentrated on its consortium bid for United Airlines (UAL) of the US. Financing for the \$6.80n buy-out — in which BA would have had a 15 per cent stake — collapsed two months ago, triggering a slump in the US stock market.

According to the original outline of the deal, Sabena would be restructured with increased capital and a new subsidiary, Sabena World Airlines, set up to conduct the airline operations. KLM and BA have been invited to take

stakes in the subsidiary.

The link would give BA another "hub" airport in Brussels, taking some of the strain off British airports, which are already overcrowded.

A formal announcement of

early in the week - will proba-bly outline operating and marketing agreements. It could also cover international operations, training, reservations, fleet re-equipment and

maintenance.
The cross-border deal will still require approval from the European Commission, which is likely to be prompted by other airlines worrled about possible anti-competitive links between two of the EC's larg-

BA believes there will be few problems because UK and Belgian airlines are not direct

BA will have no difficulty funding the purchase of the Sabena stake. It raised £320m with a rights issue to finance part of the UAL deal, although only 6.3 per cent of the issue was taken up by existing inves-



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ISSUE OF 19,789,218 WARRANTS TO SUBSCRIBE FOR ORDINARY SHARES IN THE COMPANY

The Company has made a free issue of Warrants to existing Shareholders in the proportion of one Warrant for every 10 Ordinary Shares held. Each Warrant entitles the holder to subscribe for one Ordinary Share of 25p in the Company at a subscription price of 170p (subject to adjustment). The Warrants are in registered form and may be exercised in June in the years 1990 to 1995.

The Council of The Stock Exchange has agreed to admit the Warrants to the Official List and such admission will become effective and dealings in the Warrants will commence on 4th December, 1989.

Details of the Warrants are available in the statistical service maintained by Extel Financial Limited and copies of the circular to Shareholders dated 19th October, 1989 containing, inter alia, details of the Warrants may be collected during normal business hours up to and including 6th December, 1989 from the Company Announcements Office of The Stock Exchange, 46-50 Finsbury Square, London EC2A 18D and obtained during normal business hours on any weekday (Saturdays excepted) up to and including 18th December, 1989 from:

> Ibstock Johnsen P.L.C. Lutterworth House Lutterworth Leicestershire LE17 4PS

Lazard Brothers & Co., Limited

21 Moorfields London EC2P 2HT 4th December, 1989

12 Tokenhouse Yard

## **UK NEWS**

#### Breakthrough is claimed in treatment of diabetes alcohol tests

biggest companies are being breath-tested to try to reduce A BREAKTHROUGH in the treatment of diabetes, a wide-spread illness which is thought alcohol-related accidents.
Courtaulds, the textile group, will breathalyse employees at all levels if they are suspected of being over the limit. Those with positive tests will be sent home by taxi and not paid for the hours they are away from work. to affect up to 3 per cent of the to affect up to 3 per cent of the population of many developed countries, is being claimed by Cortecs, a small British pharmaceutical company.

The company believes it has found a way of delivering in a tablet or capsule the small amounts of insulin that many people with diabetes need if they are to lead normal lives.

The scheme was introduced on Friday at the company's factories in Coventry, Derby, Lancaster and Nuneaton.
It is part of Courtaulds' plan they are to lead normal lives.

At present insulin – a natu-At present insuin — a natural hormone which keeps down blood-sugar levels and which is not present in high enough quantities in diabetics — can be put into the body only by

to make all its factories alcohol-free zones in an effort to reduce industrial injuries and absenteeism. Mr Steve Daland absencessm. In Seve par-laghan, personnel manager of the company's Derby site, who drew up the policy, said: "We want to use the tests to encour-age staff not to drink."

**Courtaulds** 

WORKERS at one of Britain's

staff face

alcohol-related accidents.

away from work.

tecs' technique becomes established, the method could have a big impact on the lives of many diabetics and would also greatly boost Cortecs, which was formed in 1987 and had

was formed in 1997 and had sales last year of about 24m.

Dr Michael Flynn, Cortecs' chief executive, said yesterday the company was negotiating with some large pharmaceutical groups to license its method of putting insulin into the body by mouth. Assuming further tests went well, it could go on sale in late 1991.

Cortecs, which is based in Cortecs, which is based in Isleworth, west London, is roughly 90 per cent owned by Western Capital, an Australian

investment group. Bank Paribas, the French bank, owns a stake while other shareholders include Rorer and

American Cyanamid, two US pharmaceutical groups, and Mr Erik Penser, the main share-holder in Nobel Industries. Sweden's biggest chemicals

cortecs' work, described in a report in this week's Pharma-ceutical Business News, a Financial Times newsletter, is based on wrapping insulin mol ecules in an outer skin of fatty cells. That has the effect of shielding the inner insulin from juices in the stomach and gut which break down insulin if ingested by mouth, render-

ing it useless.
Virtually all the world's sales of insulin for diabetics: running at about £700m a year, find their way into people's bodies by injection into the

ship. The views of the extrem-

ists on both sides — the dedicated Federalists who want a

united Europe soon and the outright anti-marketeers who

favour withdrawal from the

EC - have tended to cloud more reasoned differences.

## MPs seek details of Rover sale

By Raiph Atkins

GOVERNMENT embarrass ment over the sale of Rover Group to British Aerospace will be reopened today when a senior civil servant gives evidence to a Commons commit-

Sir Peter Gregson, Permanent Secretary at the Department of Trade and Industry, will be quizzed by the Public Accounts Committee, the government spending watchdog.

MFs will press for full details of costs involved and for a Government response to allega-

of costs involved and for a Government response to allega-tions that it deliberately hid up to \$38m in subsidies to "sweeten" the sale last year.

Labour yesterday suggested that internal forecasts by BAe of Rover's profits may have been higher than previously thought.

## and time-consuming. Pharmaceutical industry observers believe that, if Cor-Tory divisions cast shadow on Strasbourg

stronger challenge to her lead-ership — and split the Tory party — if she does not adopt a

more emollient approach to

By Philip Stephens, Political Editor

WHATEVER the size of Mrs Margaret Thatcher's majority in the election tomorrow for the Conservative Party leadership, there is unanimity among the Government's sup-porters at Westminster on one central issue: the intense debate within the party over

Europe will not go away. For her most ardent supporters, a resounding victory will give her the authority to travel to Strasbourg two days later and "handbag" Britain's partners at the EC summit.

Her opponents warn that she could yet face a much

injection, which is awkward

FOR MR IAN TAYLOR, there is one clear priority after the tumultuous events in Eastern Europe of the past few weeks: it is more important than ever that Britain demonstrates its enthusiastic commitment to closer

enthusiastic commitment to closer European integration.

A former chairman of the Conservative Group for Europe, Mr Taylor insists that the party is not "irrevocably" split over the issue and that Mrs Thatcher is "too good a politician" to risk such a catastrophe.

"I do not envisage the circumstances in which she would reverse our commitment to the Community", he says.

ment to the Community", he says.

He is however concerned that Britain could be left behind in a two-speed Europe, and his views sound much closer to those of Mr Douglas Hurd, the Foreign Secretary, than to the Prime Minister who will take the final decisions at Strasbourg.

The task the Government faces is to "bring its allies in Europe" into the open on the range of issues facing the Community so that it can play a key role in shaping the agenda. That means recognition of the fact that "It is not leadership if you are the arrivative of leadership if you are in a minority of

one". On the question of full membership of the European Monetary System — now a symbol in the Tory party over whether one is pro- or anti-Europe — Mr Taylor has no doubts. Britain should take sterling into the exchange rate mechanism "at the earliest possible opportunity".

Participation is essential not only because Britain needs to enhance its influence in future discussions about monetary union. It is also vital to allow the Government to get a grip on infla-

He quotes the example of France where the franc's inclusion in the ERM had allowed the Government to break the wage-price spiral which bedevilled it during the 1970s. If Britain wanted to do the same it would be "dangerous" not to join the mechanism before the

next general election.
On the final goal of monetary union, Mr Taylor is equally positive. There was no reason for the Government to accept the blueprint put forward by Mr Jacques Delors, the President of the

Northern

But it had to convince its partners



that there is no doubt that its alterna-tive, market-based, plan shared the same objective and that was not simply

a diversionary tactic.

The ultimate target did not necessarily mean the "abolition of the pound".

Mr Taylor says he supports the idea that once that stage has been reached national currencies could simply be marked with their equivalent value in European Currency Units.

His views on the Social Charter appear equally out of step with those of the Prime Minister, though close perhaps to many in the Cabinet.

He argues that as originally tabled, the Charter was unacceptable, being both socialist and interventionist. The Government, however, had agreed when it signed the Single European Act that there would be a "social dimen-sion" to the 1992 programme.

The latest version of the Charter was

a considerable improvement and, rather than reject it out of hand, the Govern-ment should aim for further improve-

"It really should not be beyond the wit of leaders now to get something that can be agreed and be acceptable to Conservatives", he says.

Mr Taylor is confident that Mrs

Thatcher's political acumen will quash her bullying tendencies. "You do not handbag leaders of Governments whose support you need. She knows that. She will not do it," he insists. Many of his colleagues are not so convinced.



MR NICHOLAS BUDGEN agrees with his backbench colleague on one issue: there is no need for Mrs Thatcher to adopt a confrontational stance at the summit; that would only cause unnecessary resentment. On almost every-thing else, however, he adopts an opposing stance.

A bright and eclectic member of the Commons Treasury Committee, Mr Budgen says that Mrs Thatcher should spend her time in Strashourg express-ing her "polite disagreement" with attempts by Britain's partners to build a federal Europe. If that means isola-

tion, so be it. These are not wicked people," Mr Budgen says in a reference to the majority in the European Community favouring closer integration. "They are people with whom we have the misfor-

tune to disagree."
Yet he leaves no doubt about the depth of disagreement.

On the three immediate issues facing the Government and the Conservative Party - the ERM, economic and mone tary union and the social charter - he says that there should be no worry about being left in a minority of one. In the past, he says, he has been among those who underestimated the pressures for closer and closer integration the "ratchet effect" under which one step forward created an unstoppable momentum for another five such steps.

"The ratchet is to be seen every-where," he says. It is time now for

Conservative MP for Eshe Conservative MP for Saler, and Mr Nicholas Budgen, his colleague for Wolverhampton West, can be expected to support the Prime Minister tumorrow but their advice to her ahead of Strashourg illustrates vividly the internal divide she needs to bridge.

Both Mr Ian Taylor, the Britain to make it clear that what it wants from the Community is "a free trade area," not a United States of

Europe. He admits that Europe is an issue that could split the Conservative Party, but insists that the implications for the future shape of the continent and for Britain's role in it are such that it must be openly debated. To take an example: he says it is irrelevant whether the

"socialist, corporatist or capitalist."

The important thing "is that these are matters over which each nation state should exercise its own discrestate should exercise its own disarc-tion." While Mr Taylor is fervently in favour of full participation in the EMS, Mr Budgen is equally adamant that Mrs Thatcher should stick to her instincts. He dismisses the suggestion that a link with the D-Mark would allow the

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Alimin Sala

Government to get a grip on inflation and remains convinced that it is "mani-festly impossible" to fix exchange rates. The French experience in maintaining a

The French experience in maintaining a relatively stable franc had shown only, that because of its commitment to maintaining a close alliance with West Germany, it had been prepared to adopt a much tighter monetary policy.

Mr Budgen agrees his EMS views are out of tune with most of the Cabinet, but says they are shared by the one who matters most. The Madrid conditions, he says, "are infinitely expandable. So long as Mrs Thatcher is our Prime Minister and is in good authority we shall not go into the ERM."

we shall not go into the KRM."

He is equally dismissive of the Delors proposals for monetary union - a perfect example of the "raichet effect" with the inclusion at the outset of a provision that the commitment to the first stage implies acceptance of the goal of a single currency and central bank. So what if Britain were to be isolated,

left behind in a two-speed Europe? Mr Budgen is unimpressed, asking instead what benefits would Britain be denied if it still enjoyed the open trade provided by the Community, and was left to manage its own economic policy and its own currency? What matters, he stresses, is whether they are on the right side of the argument.

"We are all prisoners of our past and of our youthful prejudices," he happily admits. However, the political settle-ment in Europe could not be left to a decision by default.



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> Northern Ireland FOR ALL THE RIGHT REASONS

## Importer says 1990 car sales will top 2m

Parts and

By John Griffiths

EVEN IF economic growth in the UK came to a standstill next year, the new car market would be likely to remain bove 2m units, according to a

above 2m units, according to a leading car importer.

Mr Richard Ide, managing director of VAG (UK), the Lonrho-owned importer of Volkswagen and Audi cars, said his company expected new car sales in the UK next year to match last year. to match last year's record level of 2.2m units. That would be only slightly below the record it expects this year of around 2.3m units. The British love affair with the cars shows no sign of

dying," Mr Ide said.

His remarks came against a background of the highest October new car registrations on record. They confounded inductor account of the highest confounded inductor account of the highest confounded inductor account of the highest ac industry assumptions that the
10 per cent year-on-year drop
in September heralded a longawaited market downturn. Statistles from the Society of
Motor Manufacturers and
Traders are expected to che-Traders are expected to show that new car sales continued to

be strong in November. The rate of registrations would have to drop by more than 40 per cent on the final two months of last year for the 1968 record of 2,215,000 units not to be exceeded.

Mr Ide said VAG itself was expecting a record year, with sales of 125,000 cars, 12,000 vans and 2,500 trucks. He forecast a further increase in both unit sales and market share for YW and Andi next year. In the first ten months of this year, the company sold 116,599 cars

UK M	TOR TRAD	E (CM)
	Exports	·
Cara	1989	9 1988 3 1,333

5.790 512

4,070 -3,725 -735 -589 -928 -730

Total balance - 5,368 - 4,548 Others includes agricultural trac-tors, dumpers, trailers, caravars, industrial works trucks and ineight

\_ up more than 8,000 units on

the same period of 1987 - while its market share rose from 5.48 to 5.63 per cent. VW/Audi's optimism is based partly on the relative prices of its cars. "In 1987, for example, the Golf GTI cost £1,100 more than a Ford Escort XR3i. Now the gap is down to only £230," Mr Ide said.

Photograph courtosy of Queen's University, Belfast

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#### **UK NEWS**

## . Labour says water sell-off will cost £3.3bn

LABOUR has launched a fresh assault on the Government's water privatisation with a report today putting the cost to taxpayers of the sell-off at

more than £3bn.

Its estimates, based on an accountant's study, come as government figures show that 250,900 applications have been received for shares in the 10 water companies,

That compares with a total of 650,000 applications received for the last privatisation British Steel a year ago. But 90 persecut of forms for that arrived in the few days before the offer closed. The water offer closes on Wednesday.

Mr Bryan Gould, shadow
Environment Secretary, said
the net loss to the taxpayer of
water privatisation would be
\$2.3m — more than twice as
much as previously thought
and well shead of the cost of

and well ahead of the cost of selling the Rover car group.

He said shareholders would also be buying the water com-panies for less than half their book value. The report by Mr Stanley Hill, of accountancy firm Arthur Collins, shows that the £5.24bn gross proceeds of the share issue at will be offset by the costs of writing off debt and Government cash

Labour said additional losses to the taxpayer identified in the report included £300m of additional corporation tax relief and £300m of relief from

pension obligations. There would also be £120m lost in incentives to customer shareholders and £120m from financing the delay in payments for

Mr Gould described the report as a "shocking indictment" of water privatisation. The net cost to taxpayers represented a loss of 250 for every man, woman and child in the

The daily rate of applications for water shares has increased from 10,000 last Wednesday to 90,000 on Friday. Postal appli-cations must be received by Wednesday morning, or can be

Wednesday morning, or can be handed in at branches of National Westminster and Lloyds Bank before the close of business on Tuesday.

The basis of share allocations will be decided after the closing date, and analysts expect shares in all 10 companies to start trading on Decamber 12 at a premium to the offer price.

As in previous privatisa-tions, private investors are likely to receive preferential-treatment if applications have to be scaled down because of

over-subscription.

The Coal Industry Bill, which will be debated in the Commons this afternoon, will write off 25bn of British Coal's debts "just to fatten it up for sale to private speculators," Mr Frank Dobson, shadow Energy Secretary, said yesterday.

## **Curb on greenhouse** effect gas proposed

By Clive Cookson, Technology Editor

AN INTERNATIONAL system for controlling emissions of programmes and related transcration dioxide, the main contributor to the greenhouse effect, through "marketable" if there is to be an agreetributor to the greenhouse effect, through "marketable carbon permits" has been pro-posed by the Royal Institute of International Affairs (Chatham

In a report published today the institute's Energy and Environmental Programme says that attempts to negotiate effective target reductions for

achieved in the Montreal Protocel for chierofleosocarbon mits from the developing (cfc) chilisators, are doorded to world, in return for the technical ure.

"Negotiations would drag on interminably and would be counterproductive because of the tactical value they would place on over emphasising the sound in the counterproductive because of the tactical value they would place on over emphasising the sound in the counterproductive because of the counterprodu difficulties of reducing emis-

sions," the report states.
Instead, the institute advocates a system of giving every country a permit for carbon dioxide emissions which it can

trade internationally.

"Permits should be lessable." but not permanently traded; the currency of exchange should be limited to develop-

ment it must have the flexibility of a tradeable system," says Dr Michael Grubb, a research main author of the report. The report argues that the permits should initially be allo-

cated in proportion to the adult population of each country. "Industrialised countries

dioxide per capita by the burn-ing fossil fuels than any other country in the world and it would have to "buy" the larg-est number of carbon permits under such a scheme.

The Greenhouse Effect: Negotiating Targets. Royal Institute of International Affairs, 10 St James' Square, London SW1.

## Opponents of Scottish nature agency attacked

By James Buxton, Scottish Correspondent

OPPONENTS of the stitvity and inability to take a Government's plan to split the Nature Conservancy Council and create a merged natural heritage agency in Scotland have been accused of "deliberately alarmist and misleading lobbying tactics."

Mr Roger Carr, chairman of the Countryside Commission for Scotland, said he was

for Scotland, said he was "appalled by the degree of dis-tortion and ecological dooms-day nonsense" directed at the national news media by inter-

est groups and individuals.

Mr Carr said they were doing a disservice to conservation by displaying the very insen-

ment's plan to merge the council's Scottish operations with the Countryside Commission for Scotland, which promotes both conservation and enjoyment of the countryside. Critics, including the Royal Society for the Protection of Birds, say splitting the council will bene-fit economic development interests at the expense of con-servation.

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R.C. Lexembourg No B 8328

Notice of Meeting

Messrs Shareholders are hereby convened to anend the Extraordinary ral Meeting which will be held on December 20, 1989 at 11.00 a.m. at the cred office with the following agends:

Agenda .

Decision to change the investment restrictions of the Company, so as to adjust these pursuant to regulatory requirements for the registration of the Company as an Undertaking for Collective Investment in transferable securities (UCITS) in accordance with the Luxembourg law of

Decision to amond and/or renumber all the attacks of the present Articles of Incorporation, to reflect such changes, namely as they relate to the corporate object for investment in manuferable securities, in accordance with the law of March 30, 1988, to an unlimited duration, to the definition of penaltied investments and to the investment restrictions and to conform these to necessary and useful changes pursuant to the Luxembourg law of March 30, 1988 on Collective investment Under-

The shareholders are advised that a quorum of one half of the shares out-standing it acquired for holding the meeting and resolutions will be passed by an affirmative vote of two thirds of the shares present or represented at such

In order to be valid proxy forms duly completed must be recei tered office on December 15, 1989 at 5.00 p.m. at the latest.

By order of the Board of Directors

### Four groups interested in buying New Statesman

By Raymond Snoddy

NEGOTIATIONS for the sale of the New Statesman, the politi-cal weekly magazine, are being opened up today to include four groups which have expressed an interest in purchasing it. An exclusive option on the left-of-centre weekly granted to Mr Robert Holmes a Court, the international businessman, ran out at the end of the month without a deal. Although Mr Holmes à Court is believed to have offered between £2m and £3m, subject

to seeing the accounts of the company, it is understood the New Statesman directors were not happy with the guarantees of editorial independence he offered. Mr Holmes à Court has not been rejected as a suitor but he has been told that negotiations will include other tiations will include other

groups,
Those interested include The Guardian newspaper, although the paper declined to make a formal offer until a detailed assessment of the company's financial position had been car-ried out. The Guardian is unlikely to bid much for the company shares but would be prepared to put up the money needed to secure the magazine's short-term future.



## farming show opens

THE BOYAL Smithfield Show, Britain's premier agricultural exhibition, opens at Earl's Court today against a back-ground of declining invest-ment in the industry. The Agricultural Engineers' Association confirmed yester-day that tractor sales widely acknowledged as a barometer of financial health in farming — were down 11.1 per cent on the first 11 months of 1988.

Last year, 22,500 tractors were sold to UK farmers com-pared with 28,000 in 1983 and

38,000 in 1976. Forecasts suggest total sales not exceeding about 20,000 units in 1989.
Paradoxically however,
manufacturers claim to be
more optimistic about the
future. After a rash of multinational mergers and take-overs over recent years and much rationalisation of facto-ries and plant, they believe their industry is fitter and

more efficient than ever.

The tractor industry also believes that the decline in world stocks of a number of agricultural commodities will

raise world food prices, improve farm profits and that export sales will then benefit. Form machinery manufacturers still claim a positive balance of trade in excess of £330m a year on the back of a

thriving export trade.

An export market also appears to be opening up for farm equipment to Eastern Europe. The value of equipment sold to Poland has risen by 728 per cent so far this year to £2.1m and sales to Czechoslovakia have some up 112 per slovakia have gone up 112 per cent to £599,000.

## **Brokers say smaller** building societies face bleak future

By David Barchard

A BLEAK FUTURE for small and medium-sized building societies in the retail financial services markets of the 1990s is predicted today by UBS Phillips & Drew, the City

The firm's report says many smaller societies will find they lack the capital needed not just for diversification but also for investment in infrastructure to enable them to compete with larger players in the market. Those include the clearing banks and the handful of top building societies.

As a result, the concentra-tion of the retail financial services sector into a few large groups will increase.

UBS Phillips & Drew says smaller societies are already handicapped when making investments in information

technology. Larger institutions can develop new products and ser-vices and market them to their customer bases. Banks are already making some inroads into the personal savings mar-ket by offering better savings products.

Large building societies have responded by introducing interest-bearing current accounts. These are likely, the

report says, to replace tradi-tional current accounts as well as building society deposits.

Smaller building societies

face serious disadvantages as the market evolves in that direction. They cannot afford the high initial cost of launching the new products; their branch networks are too small; and their advertising and staff resources are too limited. The report also predicts that

banks are eventually likely to secure some form of competi-tive advantage over all building societies because of their much higher rate of capital

expenditure. expenditure.

Last year Abbey National and the top five building societies spent an average of £33m on branch fixtures and fittings for instance, while small and medium building societies (down to number 14 in the top 20) averaged £4m. However the top five clearing banks made investments averaging £175m. The report says banks are investing more than twice as much per customer as the main building societies.

Banks & Building Societies Bloodbath in the high street? UBS Phillips & Drew, Global Research Division, 100 Liverpool Street, London EC2M 2RH.



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## SDA says **Prestwick** monopoly should end

By James Buxton, Scottish Correspondent

THE SCOTTISH Development Agency (SDA), the official body that works for economic regen-eration in Scotland, has told the Government it should remove Prestwick airport's monopoly on transatiantic services from Scotland.

It has called for a working party to examine ways in which Prestwick can be developed as an international

cargo facility.

Mr Cecil Parkinson, Transport Secretary, hopes to decide early in the new year whether to preserve Prestwick as Scotland's sole transatiantic gate-way or to start an "open skies" policy for lowland Scottish air-

Such a policy would mean transatlantic flights using Glasgow and, possibly, Edinburgh airports.
Mr Parkinson has received

more than 1,050 submissions, more than 1,050 submissions,
The SDA says that if Prestwick's monopoly is preserved,
no new direct scheduled services are likely to be introduced in Scotland. Under an "open skies" policy, however, long-haul services would trans-fer from Prestwick to Glasgow and new ones would open.

## Student politics casts its shadow over banking economics

David Thomas explains why a bank regarded as hero of the hour in student unions will be picketed by students tomorrow

TUDENTS will mount a picket outside the head-quarters of Lloyds Bank in the City tomorrow, just when the Bill introducing the Government's proposed student loans scheme is due to have its second reading.

On the face of it, this is rather odd since Lloyds Bank is the hero of the hour in most student unions. Last month, it broke ranks with the other three hig high street banks by dropping out of talks with the Government about running the scheme, due to be introduced.

next September.

However, the paradox will be dispelled when the protesters outside Lloyds reveal their identity. For the picket is being planned by Conservative students angry at the coolness of Lloyds to the loan scheme. Senior bankers are bracing senior cangers are bracing themselves for a period of tur-bulence in the important 500,000-strong student retail market. So uncertain are they of the outcome that none will speak on the record. Yet there is considerable nervousness among the rivals of Lloyds that its stance will win a valuable marketing advantage, at least in the short term.

Protest action organised by students hostile to the scheme is likely to dwarf any counteraction among those who sup-port the Government. Lloyds could benefit from students



Protest action by students hostile to the scheme is likely to dwarf any counter-action Ten banks, including Bar-

and student unions boycotting its rivals: "I would have thought that they would be looking at the boycott threat and rubbing their hands with glee," said a senior executive at another bank ruefully. Talk of a full-scale national boycott by students of any bank is regarded as premature, not only by the banks but also by the National Union of Stunts. Every bank is keen to stress that it has not made irrevocable decisions about its

role in the loans scheme.

clays, National Westminster and Midland, have agreed to draw up a prospectus for a Stu-dent Loans Company, to act as the central administrator of the scheme. Three banks including Lloyds - have dropped out at this stage.

No bank will decide finally
on whether to help run the
loans company until after the
legislation has passed through Parliament. Barclays, NatWest and Midland could still drop out, while Lloyds could still

participate - although the ssumption is that the position assumption is that the position adopted by Lloyds is final.

The NUS will try to use the intervening period to persuade more banks to follow Lloyds.

It has asked student unions to organise pickets of banks every Friday; to warn local bank managers that they could lose the accounts of individual students and of the unions themselves; and to threaten to restrict bank access to freshmen through student fairs and

BANKS STILL IN TALKS ABOUT THE SCHEME

Barclays, Midland, NatWest, Royal Bank of Scotland, TSB, Girobank, Allied Irish Banks, Bank of ireland, Northern Bank, Ulster Bank.

<u>Banks: Which</u> HAVE LEFT THE SCHEME

Lloyds, Bank of Scotland, Clydesdele.

which the banks have tradi-tionally put considerable affort. The "catch them while they're young" philosophy is a powerful one since research discovered that as many as 90 per cent of students do not change their bank accounts in later life, when - on average - they will earn considerably more than non-graduates. Each bank gives slightly dif-ferent figures for market shareamong student accounts. But

has the largest number of campus outlets and a sponsorship deal allows it to advertise on NUS leaflets for new students. Barclays and Lloyds come next, each with about 20 per cent, while Midland is a few projust helstond is a few projust helstond is a few points behind its three rivals.

There are two unresolved questions: Will the NUS he able to sustain a substantial short-term boycott of banks participating in the scheme? What will be the mediain term

what will be the menum-term impact of the loan scheme on the student market?

One precedent for answering the first question is the boycott of South Africa, which Barclays acknowledges damaged its standing among students. Barclays claims to have lifted its share of the student market from a low point of 16 per cent to 25 per cent since 1986, when it pulled out of South Africa.

While some bankers doubt whether the loan and antispertheid issues will have the same long-term resonance among students, there is increasing concern that the NUS could mobilise substantial numbers of students in the short term. The NUS will spend the next few months trying to convince banks that this is so. Its demonstration last week in Glasgow was well attended, reportedly by about 20,900 people. A few selected student unions will from the consensus is that NatWest

tomorrow organise accountswitching by students to demonstrate student power.

On the second question most banks assume that partic-

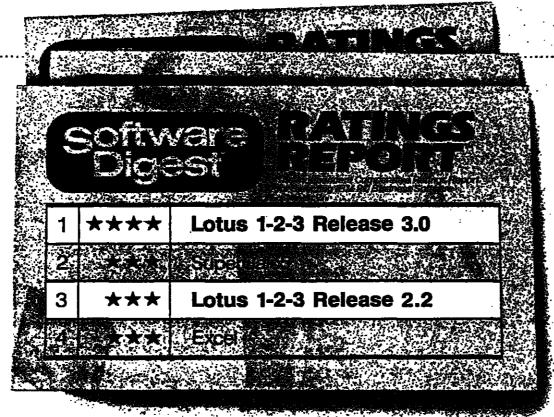
most banks assume that participation in the scheme will become a marketing plus among students, if aid when it succeeds, in becoming an accepted part of the student financing scene.

Students will have to go to the branch of a participating bank to pick up their loan: few will make the effort to go to another bank to open an account. "Offering a loan will become part of our student

become part of our student package," one banker said. Even Lloyds seems to accept this logic. Its position is under-stood to be that it doubts whether banks will make any money from administering the Government's scheme and that the risk of financial loss through participation out-weighs the medium term likeli-hood of it losing student

Meanwhile, nervousness about the short-term impact is mounting. "It was one thing when everybody seemed likely to be in, but it is another mat-ter now that some look certain to be out," said a banker. Building societies could also be waiting and watching, he said. There is much ground to

cover before the participating banks finally put their seal on



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## Grant scheme for local authorities comes under fire

By Richard Evans

THE GOVERNMENT'S new method of distributing grants to local authorities is "flawed and illogical," according to the Association of Metropolitan

amnormes.

The grants, which will affect
the amount of community
charge people will pay in
England and Wales from next
April, will be based on what
the Government thinks each council needs to spend Each 11 on an authority's standard spending assessment, or SSA, means £1 off the community

charge, or poli tax. But in an analysis published today, the AMA claims to have found anomalies in the way the Government has calculated what each authority needs to

much too low, for example, because it takes no account of the non-wage element of

and rents. Shire counties also gain from the way SSAs have been applied to social services and education. Instead of basing of elderly people living in local authority homes or using council services, the Government plans to base it on the size of the elderly population in each

Thus, according to the AMA, Government cash will go to south coast retirement resorts with large numbers of old peo-ple in private homes, for whom councils do not pay or provide services. Accordingly, the pro-portion of the total SSA budget for social services going to the shire counties has increased by

Similarly, cash for the under-fives is based on the number of children in a local authority area, rather than the amount of cash a council spends on providing a service for them, so Gloucestershire will receive £5.3m even though it runs no nursery schools or

The AMA argues that other elements of the system are farcical rather than unfair - for example, the SSA for highway maintenance includes an allowance for snow clearing, but it is based on data which of Brent has more snow than Cumbria, and Camden more HE DAS

than Lancashire. Sir Jack Layden, AMA chair-man, said: "The Government promised us a simpler grant system, but this is not it. It also disproves the government claim that poil tax will result in greater democratic account-ability with local residents able to see whether their council is

"The size of people's poll tax bills next year will depend on these arcane assessments drawn up by civil servants, just as much as they will be affected by any democratic decision taken by their coun-cil," Sir Jack said.

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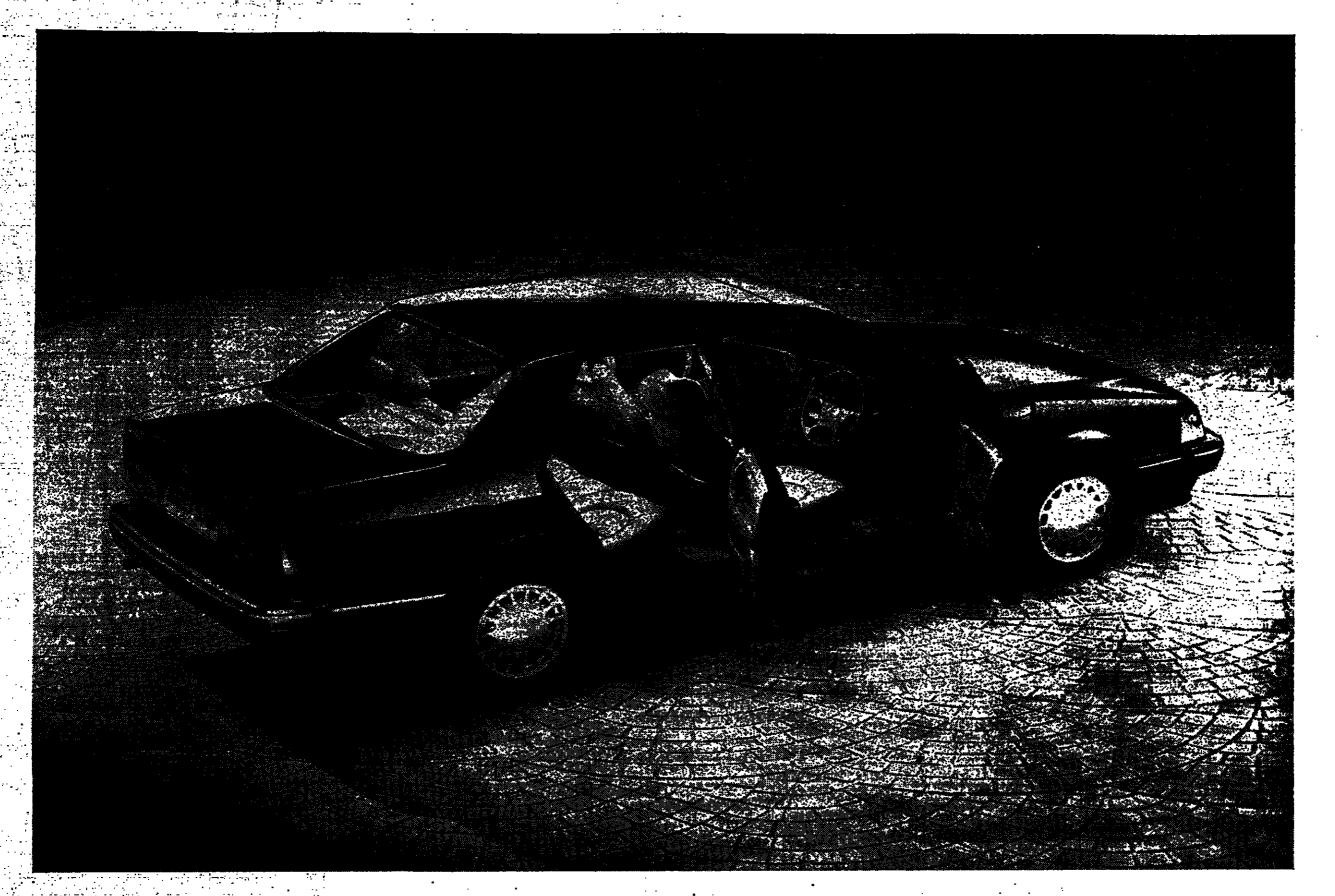
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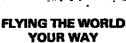


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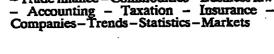
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#### APPOINTMENTS

## **Executive** chairman of Kingfisher

Sir Kenneth Durham will be retiring as chairman of KINGFISHER from February 3, the end of the current financial year. Mr Geoffrey Mulcahy will be appointed executive chairman upon Sir Kenneth's retirement MrMulcahy will remain chief executive of Kingfisher, a post he has held since April 1, 1986. At the same time, Sir Nigel Mobbs will become chairman.

■ Mr Jack Greener, formerly chairman of Richards Longstaff, has joined LAURENCE KEEN, stockhrokers, as a consultant.

PA CONSULTING GROUP has appointed Mr Paul Thornton as group marketing director. He is succeeded as marketing director, Western Europe, by Mr Colin Leeson. Mr Michael Rappolt becomes chief executive Europe, and is succeeded as chief executive computers and telecommunications, Western Europe, by Mr Peter Copping. The appointments are from

January 1.

Bhs, a storehouse subsidiary, has promoted to buying directors: Mr Chiff Hind, housewares; Mr Peter Maithy, womenswear, and Mr Brian Smith, childrenswear, menswear and accessories. Mr Steve Bedford becomes human resources director. Mr Tony Anderson, personnel director, and Mr Derek Maynard, property director, are resigning.

 Mr High McCoy has been appointed deputy chairman of H. CLARKSON & CO. Mr David Horne and Mr Rory Mackean become directors.

m Mr Pat Burbidge has been appointed managing director of HUNTER HOMETRIM. He was sales and marketing director of sister company Hunter Building Products

■ Mr Paul Clarke, analytical instruments division director, and Mr Rick Gaskin, physical measurement division director. have been appointed to the board of ROTH SCIENTIFIC. Dr John Rumnicz has been appointed managing director of Roth Industrial Instruments. Mr Colin Whyld, an executive director of Roth Group, has resigned to pursue other interests.

 Mr Peter Bradley has joined BRITISH ARWAYS as business centre manager to the airline's retail and leisur divisions. He was technical director with ABC International.

■ Dr Malcolm Aickin has been appointed a principal of DAMES & MOORE INTERNATIONAL.

m Mr Rupert Clarke has been appointed to the main board of the de MORGAN GROUP. He is a director of subsidiary Woolgate Property Finance, and of The Retail Group.

■ Mr Bill O'Neill, managing director of News International Newspapers, a subsidiary of NEWS INTERNATIONAL, has been appointed senior vice president/human resources, News America Publishing Inc. He is succeeded by Mr August Fischer, general manager. The appointments are from January 1.

■ Mr Kenneth Jacques has been appointed chairman of the ICSA/MSL Partnership, jointly owned by MSL International and the Institute of Chartered Secretaries and Administrators.

n Mr Peter A. Greenwood has been appointed to the group board of SIDDALL & HILTON. He is managing director of subsidiary Sidhil Care, Halifax

■ Sir Keith Bright, deputy chairman of Electrocomponents, has been appointed to the board of MANAGEMENT FIRST.

■ HOGG ROBINSON & GARDNER MOUNTAIN has appointed Mr Nigel Bovingdon and Mr David McClure Fisher to the board from January 1.



Mr Jan J. Stuyt (above) has been appointed executive director of AMEO BANK COR-PORATE FINANCE in London He was senior vice president and head of corporate finance group, Amro Bank, Amster

## ■ HARVEY & THOMPSON,

a retail banking group, has appointed Mr Bernard Lardner as an executive director from December 1. He was a director of Laing & Cruickshank's corporate finance division. FINANCIAL INSURANCE **GROUP** has appointed Mr 'Charles Bellringer as finance director. He was finance

director at Legal and General

Financial Services, and replaces Mr Andrew Anderson ho has been appointed international operations director. Mr Phil May joins Financial as group actuary. He was UK life marketing and actuarial manager of The Victory Reinsurance Co. Mr Paul Van den Hende has been appointed information technology and operations director. He was projects development and central operations manager, financial and insurance services division, Abbey National.

■ Mr Garth Bearman has been appointed chairman and managing director of ROBERT FRASER US AND INTERNATIONAL

w Mr Les Danni has been appointed managing director of MARBOURN, Hartlepool, a Hanson subsidiary, He was director and general manager

■ Mr Tim Thomas has been appointed a director of GUINNESS FLIGHT GLOBAL ASSET MANAGEMENT. He is manager of the global convertible fund and the global equity fund.

JOHN WADDINGTON has made the following changes. Mr Martin Buckley, main board director and chairman of the cartons, and business forms operations, adds responsibility for the UK plastic manufacturing companies. Mr Andrew Daiton, company secretary, becomes divisional chairman of the label companies. Finance



Mr Peter Gardner (above), managing director of Beaver Architectoral Ironmongery, is Architectural Ironnungos, joining the board of parent

Dr Derek Wood (above), main board director of ALLIED TEXTILES COMPANIES, has heen appointed director responsible for Joseph Lumb & Sons, and Willey & Pearson of Halifax, the group's yarn man-ufacturing division. He is also managing director of Bulmer & Lumb Group, Bradford. The appointment follows the retirement of Mr George

**England.** director Mr Geoff Gilson absorbs Mr Dalton's previous duties. Mr Richard Wade is promoted to chief executive of the self-adhesive label



SANWA BANK'S London international finance department as assistant general manager responsible for trade finance. He was assistant general manager International Commercial Mr Alan Cohen has been

Mr Barry Bull has joined

appointed group managing director of GABICCL He was merchandise director of Principles, part of the Burton Group, Mr Alex Pyser, co-founder of the company, and group managing director is relinquishing this post in January, but will become a



Mr Brian R. Parks (above) has of the MACPHERSON group. He was managing dire Macpherson Polymers.

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## NOTICE OF VARIATION TO MIDLAND INDIGO CARDHOLDERS

Midland Bank pic announces that the interest it charges to its Indigo cardholders will be increased with effect from 11 December 1989. From that date the new interest rate bands will be

increased as follows:-

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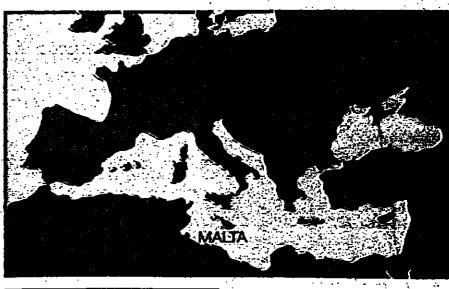
These interest rates apply to the bands and not the The Midland Indigo Conditions of Use will be varied accordingly with effect from 11 December

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MALTA INTERNATIONAL BUSINESS AUTHORITY

Palazzo Spinola, P.O. Box St. Julians 29, Malta. Tel: (356) 319055 Fax: (356) 336851 Telex: 1692 MIBA MW Alan Rosling tells Michael Skapinker why he believes there is a place for MBAs in British industry

used to be

This interview, however, takes place in a meeting room filled with ladies underwear. Rosling arrives a few minutes late. He has been talking to Marks and Spencer. "When that customer calls, you go,"

he says. Rosling is chief executive of Piersons, which manufactures underwear for M and S. Piersons is a subsidiary of Courtaulds, the UK chemicals and textiles group which recently sunounced it would split these activities into two separate

companies. Rosling, who is only 27, gives the lie to the view that Master of Rusiness Administration graduates cannot find employ-ment in UK manufacturing companies. It is not always easy to do so, he says, but it is certainly possible. If MBAs have learned anything about

Company A men or Company B men; the cultures still clash. When Carnaud and Metalhox

Packaging decided to merge, to form CMB Packaging, Europe's

largest packaging group, both sides were determined that

would not happen. Even before the deal went through — and despite a last minute hitch which could have resulted in the whole thing being called off — the people who were to

form the top management level of CMB set off on an adventure

together. They spent a week in Jordan, the first three days in

the desert, and the next four in.

a hotel discussing and drafting

CMB's targets and ideals.

The idea was to build a team, breaking down loyalties

to the previous two companies - the UK-based Metalbox

Packaging and the French Car-

naud - and forging a new loy-alty to CMB. The team spanned different nationalities

since the group covers most

European countries and the

in his bespectacled, understated manner and his Harvard MBA. Alsn Roeling could pass for a merchant benker at SG warburg which is what he learned a lot there, he says, learned a lot there, he says, to sell themselves," he says.
Rosling joined SG Warburg
in 1983 after graduating in history from Cambridge. He
learned a lot there, he says,
but was frustrated at just being an adviser. "You were doing important work, but the only way you could actually make things happen was by being part of the management

of a company," he says.

To prepare himself for a role in management he decided to go off to Harvard for two years.

"A number of people advised me strongly that the only way to make the transition to management was to be a responser." agement was to be a manager," he recalls. Nevertheless, he thought he would benefit from an MBA

At the end of his first year, he decided to get his first management experience by working for the subsidiary of a British company in the US. He wrote to 30 UK companies. None of them could offer him anything The Boston Consulting Group could: a three month job in its Chicago office.



This is precisely the sort of experience that persuades some MBAs that they would be better off in consulting or financial services than in industry. Despite this setback, his summer with BCG only strengthened Rosling's determination to become a manager. "I was only there for a short period and I didn't see the fruits of what I was working on. I think it's very difficult to be a good consultant unless you've worked in the kind of environment your clients are working in."

At the end of Rosling's time at Harvard two British compa-nies, Burton and Chloride,

employing him, but neither he is. None has an MBA. How approach came to anything. He came back to the UK and wrote to 50 companies. Some didn't reply. Others wrote to say they had no openings for someone with his qualifications, some-thing which he says he can understand.

"From their point of view you must remember that my background was not the traditional management background they were looking for," he says. You can understand why an organisation might think 'this is a person who doesn't fit in."

About ten of the compan asked him to come for interviews. Courtaulds, whose chairman Sir Christopher Hogg is also a Harvard MBA, offered is also a Harvard Misa, onered him a job as business development manager, textiles. He did the job for six months before becoming head of Piersons in May this year.

As chief executive he is responsible for 750 employees and four factories. He has an executive team of eight reporting to him. All are older than

expressed an interest in ing to him. All are older than

did they feel about working for someone with no previous management experience? "I think they were rightly wary. Now, I hope they no longer think about it," he says. "I talked to each of them about potential problems, both at the start and as anything arose. You've got to be totally open about your lack of product knowledge and experience."

He is trying to introduce a more open and more participa-tive management style to Piersons. He has gone round all the factories and made presentations to employees in groups of 20. He has already seen that it will take a long time to change attitudes in the factory. Some employees are sceptical because they have heard too many promises in the past. Others believe managers should be figures of authority rather than people who try to encourage participation.

"There was nothing that I

learnt on my MBA that makes it easier for me to do what I'm trying to do. There's no way of



learning how to do this except

to do it." What, then, can he contribute? "I come with a completely different perspective. I bring a conviction that change is po hie." He believes his executive team shares his goals. "We started off realising that nothmanagement did. The way we treat people has got to be the

starting point."

He rejects the view that manufacturing companies cannot provide MBAs with as interesting a career as consul-tancies. There's nothing more stimulating than general man-agement. You're dealing with

problems from a cleaning lady who's had an accident, to a walk-out, to a product launch. MBAs do have to accept a lower salary to work in manufacturing. They also have to accept that they have a lot to learn, he says. "Some MBAs have an inflated view of what their first job should be. I think some of them also don't work at finding a job. They expect companies to come to them. I think a number of industrial companies have had bad experiences of MBAs, of people who think they have the answers and can do everything immediately.

"But if you want to go into manufacturing you can do it. It seems to me that manufacturing companies employ people not because of the qualifications they've got but because they think they're going to do a good job."

Rosling thinks there would

have been advantages to being a consultant. He would have been able to travel more, for example. But there are other experiences he would not have had. He remembers the time a Piersons factory machinist followed him into the car park to thank him for what he was try-ing to do. "You wouldn't get that if you were a consultant," be says.

## CMB's pioneering venture in the desert

hen two compa-nies merge the join is often still visible years later. People are labelled as former Maggie Urry explains the intent to create a cohesive team from a merged group's top managers

"team building" exercises are common, but points out that most companies send existing out within two days of the common, but points out that most companies send existing teams on them - not entirely new ones. Further, CMB was to have an unusually "flat" management structure. This meant that a large number of people

— 29 — were to form the "group managers network", called the GMN, which is the top management unit immediately below the formal board.

These 29 people, from six dif-ferent countries, met for the first time as a group only two weeks before the exercise was due to begin, when they were invited to join the senior management team. The merger inevitably meant that some people were changing their jobs, and many did not know what their new roles would be. When they set off together for Jordan the company had still not even been formed.

Kirkman says the reasons behind this were that they knew once the company was Mike Kirkman, director of formed people would be busy, management and organisation and that they wanted to "hit development, admits that the road very fast". As a result company's formation at the end of April, Kirkman says.

Kirkman says Jordan was chosen partly because it was "available", and, more importantly, because none of the 29 had ever been there before. Kirkman says Jordan is "a fascinating, fabulous, beautiful place" and people's natural response was to turn to each other to share the new experi-ence. This would bind them together for the future.

On arrival each of the team was issued with a sea-green jogging suit and beige anorak, to emphasise the common aim. For three days the 29 drove through the desert in jeeps, with four or five to a jeep, and planned to change round so that each person spent time with each other person.

Exercises were planned to help people get to know each other. Throughout, discussions centred on CMB and how it would operate, but in an

Heavy symbolism pervades descriptions of the trip, much of which followed in the foot-steps of Lawrence of Arabia. Like the formation of CMB, it was a journey into the unknown.

When night driving through a desert the managers discovered it was difficult to follow the jeep in front because of the dust thrown up. Instead the leading jeep had to make sure that the one next in line was keeping up. From that, Kirkman says, the managers could learn a lesson about solidarity.

irkman says that the things normally designed into a team building adventure happened naturally. The guide got lost, one team wandered across an artillery range, jeeps suffered punctures, it rained hard, camel and horse riding was attempted — and someone fell off a horse. People slept in tents, ate round a camp fire, swam in the Dead Sea, and walked into the ancient city of Petra in the early morning.

In Petra a photograph was taken of the 29. Instead of the usual dull picture of besuited executives lined up, the group assembled on ancient steps in

structure. Wearing their jog-ging suits, they held hands "to demonstrate what a network The group has a highly decentralised structure and, says Kirkman, the photograph symbolised the absence of hierarchy and lack of a stiff and starchy culture. Further, in the picture "you cannot tell who is from Metalbox and who from Carnaud, who is British, who is French and so on," Kirkman

the upside-down pyramid which symbolises the group's

explains. After the time in the desert, the group returned to Amman where three days were spent in a hotel working on CMB's visions and plans. Helped by Alain Gauthier, a consultant, the group discussed what CMB's goal was, where the group started from and how to bridge the gap between. Kirk-man says they agreed that "you must not lose touch with reality, but you must not lose touch with the vision."

The group drafted "the CMB Commitment" which was later sent to the entire workforce for suggestions. This is an eight point document, setting out CMB's aim to be a leader in packaging, describing the rela-tionship it wants to have with customers, suppliers, employ-ees, shareholders and communities, concluding with a call to "launch our group into the 21st

century." The 29 also drafted a list of basic values, which all agreed. Kirkman says the plan is that when arguments arise in future, these values can be referred to as the ground rules. For example, it was agreed that once the GMN had decided something, everyone would support the decision inside and

outside the group.

During the discussions the language used was English, though Kirkman says if any-one felt unable to express a passionate view in English he was allowed to use his own

language. And, Kirkman recalls, the discussions aroused some poetic notions from a bunch of can-makers."

The last day in the hotel saw the first meeting of the GMN when a number of appointments and organisational decisions was taken. A GMN song, to the tune of Yellow Submarine, was written and per-

Since then the GMN has been meeting for two days a month, and in September Gau-thier was invited back to see how the group was achieving what it set out to do.

Kirkman argues that had the group not gone away together the rapport which has been quickly established would not have been possible. He says a recognisable CMB culture is emerging. However, the exercise has

thrown up one problem - what to do when a new member joins the GMN. This has already been met - Robert van den Heuvel is joining the group at the start of next year. He has neither a Carnaud nor Metalbox background, but has already remarked that his new colleagues keep talking about Jordan and has demanded to read the book about the trip produced for the 29 who went.

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#### £22m orders for Tarmac

Contracts worth about £22m have been awarded to TAR-MAC CONSTRUCTION. A business park develop-

ment off Scotswood Road, New-castle upon Tyne, is the largest at £8.4m. It involves building six two- and three-story offices, 30 studios in five blocks, a centre court with four shops and a wine bar, together with roads and landscaping. Work on the project, for Dysart Developments (Tyne and Wear), is due for completion at the end of next year.

At Chichester, the company has a £4.4m order for building a multi-storey car park, with access roads and a coach park. The scheme, for Chichester District Council, is also scheduled for completion in a year. Other projects include fit-ting-out a building at Warwick Technology Park, for Severn Trent Water (£1.4m); business units, external works and

drainage at Chester, for Cresta

Properties (£810,000); and a building at Sighthill, Edin-burgh, for Ethicon (£772,000) Contracts awarded to the public sector housing division include work on homes at Castlemilk, Glasgow (£2m); Hull (£1.6m); Port Talbot (£864,000); Leeds (£844,000); Stockport (£499,000); and Harrogate (£493,000).

#### **Extendible**

BOVIS CONSTRUCTION, a P&O company, has been awarded an £11.4m management contract to build the new UK headquarters for the Medical Sickness Group in Exeter, Devon. The 86,000 sq ft development will occupy a 9½ acre site overlooking the Exe estu-ary at Pyne's Hill. It will provide offices, computer facilities and leisure amenities, initially for about 300 staff. The offices will comprise two three-storey octagonal structures joined by a three-storey link section; three two-storey wings will extend from the octagons and more can be added as required.

#### **CONSTRUCTION CONTRACTS**

## Trafalgar House success story

CONSTRUCTION and engineering companies in the TRAFALGAR HOUSE group have won contracts totalling over £154m.

A £25m order has been awarded to Redpath Offshore, in a joint venture with Oilfab Group, by Occidental Petro-leum (Caledonia), to build the accommodation module and heli-deck for the redevelop-ment of the Piper Alpha North Sea oil platform. The contract for the five-storey structure is for the design, procurement, fabrication and load-out of the

Cieveland Bridge & Engineering, one of the country's largest steel fabricators, has been awarded a £30m contract from Babcock Energy for 23,000 tonnes of steel for what is believed to be the world's largest flue gas desulphurisation plant, which is to be built at Drax power station in Yorkshire. Up to 70 jobs are expected to be created on site during the erection stage which will start in autumn 1990. Fabrication of the steel for Drax will begin early next year.

Trafalgar inocean has been awarded a £3m contract by B P Exploration, for the fabrication and installation of a 230-ton pre-drilling template for the Bruce Field. Project manage-ment and engineering will be carried out from Trafalgar Ino-cean's Aberdeen offices and fabrication of the template will commence this month. Installation is scheduled for early March 1990, and will be carried out by the MSV Regalia, using its dynamic positioning system to maintain vessel station. A £1.4m contract to rebuild

fuel installations at RAF Stornoway has been awarded to ipath Engineering Services. The contract will cover demoli-tion of the old fuel facility followed by installation of mechanical and electrical engi-neering services for a dual-site bulk-fuel operation to receive, store and issue aviation fuel to bowsers. The work for the project, which is expected to be completed in early 1992, will include installation of stainless steel and epoxy-lined carbon steel pipework, pumps, filters, and emergency power genera-tors. Main contractor is ARC Construction, and the client is

the Property Services Agency.
Trollope & Colls Construction has been awarded a £9.2m
contract at 61-63 London Road, Redhill, to construct a four-storey office development for Trafalgar House Developments. The new building will provide more than 6,600 sq metres of offices and will be clad in feature brickwork with reconsti-tuted stone sills, and stone col-

umns rising to the full height of the pitched tiled roof.

A 56m contract to construct a 3,600 sq metre office building at 50 Mark Lane, London EC3, has been awarded to Trollope & Colls City. The six-storey structure is for Mark Lane Developments Limited Partner-

Willett has won four con-tracts totalling over £20m. The largest is a £6.4m order to construct three office/light indus trial buildings on phase I of the Middlesex Business Centre in Southall for project co-ordinator R H Newman (Development). Others include: a £3.1m design-and-build contract for a three-storey office building for Trafalgar House Brooklands; a £5.12m contract to construct a two-storey Waitrose supermarket in Yately, containing a cold room and storage facility in the basement, and with a total sales area of 2,796 sq metres on the ground floor; and at Western Road and Downmill Road, Bracknell, a £6.1m contract for Hutley Holdings to construct a two-storey structure providing a total floor area of over 6,000

A consortium of Cementa-tion Projects and John Brown Engineering has secured a £50m contract to re-develop Frankley Water Treatment Works, near Birmingham, on behalf of Severn Trent Water Authority.

so metres.

#### St Helens derelict land reclamation

The Department of the Environment has awarded what is believed to be the largest city grant for a major recla-mation of St Helens, Lanca-

The £6.23m project will be developed by AMEC REGEN-ERATION, a member of the AMEC group, which will carry out the reclamation on behalf of Greenbank (a joint venture

between Pilkingtons, Milverny Properties and St Helens Coun-

The scheme involves the treatment of 50 acres of dere-lict land and at the end of the contract the site will be made available for a housing development surrounded by park-

project, which is thought to be one of the most

ambitious ever undertaken in ance, will be carried out by a joint venture company comprising AMEC Regeneration and sister company, Fair-clough Civil Engineering.

Another AMEC group com-pany, Fairclough Homes, has taken an option to develop housing on the finished site.

## Services for the Little Britain scheme

MATTHEW HALL has won a £14.7m services contract for the Little Britain development in the City of London. The company will install mechanical, electrical and fire-engineering services in the two stepped and linked buildings, which will provide 440,000 sq ft of office space in their 11 and 20storeys. A microcomputer-based building management system will control the envi-

ronmental services. Starting

**CONTRACTS & TENDERS** 

Western Riverside Waste Authority

(ii) ensemples of similar or related product (iii) the names and addresses of other was

organisations for whom a similar or related product has been produced; the names and addresses of two technical and

ial years. coments will be sent out to those finns included on the

elected list 22 Junuary 1990 for return by the 21st February 1990. The contract will call for the fabrication etc. of the containers and heir planted delivery during the period August 1990 to June 1991.

this month, the contract is programmed for completion in February, 1991.

February, 1991.

Fairclough Building, also in the AMEC group, has landed a 56.9m contract from Manweb to build a storage depot at Queensferry, Deeside. This entails construction of a 15-metre high single-storay steel. tre high, single-storey, steel-framed, part brickclad 15,000 sq metre block to form a central stores depot. Work has started, and includes installation of

3,500 stone vibro-compaction piles five metres deep, together with 38,000 tonnes of stone to support the 15,000 sq metre ground slab on difficult ground conditions. Completion is due next August.

The eastern division has landed a £3.4m design and build contract from Citygrove Development and Grantchester, for an Arnison centre in

#### DIARY DATES

#### FINANCIAL

TODAYCOMPANY MEETINGSBritannia Security, Charing Cross Hotal,
Strand, W., 12.00
Elect Hidgs, 116, Pall Mar., 8.W., 12.00
Molyneux Esta., Dunrani, House, Chiawell,
Streel, E.C., 16.00
Paterson . Zochonis, Hottiday Inn Crowne
Plaza, Medand Hotel, Peter Street, Manchester, 12.00
Shandwick, 81. Ornandana

BOARD MEETINGS

Syltone
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Higgs & Hill 4.4p IBM Credit Corp. Filg. 4/12/95 3466.6 Lockheed 45cts Patrocon 0.5p Ports 1.3p Rockwell Inst. 19.5cts Rolls-Royce 2.3p St. Ives 3p Serif Covelle 1.5p Spirar-Sarro Engineer

TSW 3p Third Mile Invt. 1.5p Walker Greenbank 7

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Salley (C.H.)
Coultie
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New Zealand Inv.
United Scientific
Interiors;
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COMPANY MEETINGS.
Berrett (Henry), Victoria Hutel, Bradford, 11.00
Beckman (A), Durrants Hotal, George Street, W. 12.00 W., 12,00 Kart-Teknik, Clark Indusadal Park, Wahler Nash Road, Kiddermisster, 12,80 Totachum Hotsbur, 748, High Road, N., 10,50

FINANCIAL TIMES

TECHNOLOGY MARKET

Royal Smithfield Show and Agricultural Machinery Exhibi-tion (01-235 0315) (until Decem-

Earls Court

December 5-7 International Technology Mining Symposium and Exhibition (0923 778811) December 6-7

Energy, Safety, Security and Handling Exhibition (0296 County Cricket Ground. Bir-

Arba, Watermens Hati, 18, St.Mary-et-Hiti E.C., 11.30 NESCO trva. Keneington Paleco, Thieste Hotel, Os Vere Gdrs. W., 10.00 SOARD MEETINGS-Finalis Archer (A.J.) Carr's Milling Inds. Grand Methopolitan ns Hall, 16, St.Mary-et-Hill Autumn Fair (01-486 1951) (until December 8) Rahrain Paris Boat Show (01-225 5566) (until December 11) **Paris** 

Princip Princi

(01-928 2000) COMPANY MECTINGS-Five Online III., Savoy Hotel, W., 11.00 Highfand Electronics, Highland House, Steine, Brighton, 12.30 SOARD MEETINGS-Highland

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THURSDAY DECEMI COMPANY MEETINGS-

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#### PARLIAMENTARY

Commons: Coal Industry Bill. second reading. Lords: Debate on report of the

Debate on changes in the electricity industry with retention of nuclear power in the public sector. Select committees: Public Accounts: subject, sale of Rover Group. Witness: Sir Peter Gregson, Department of Trade and Industry. (Room 15, 4.30 p.m.)

Treasury and Civil Service: subject, the Autumn Statement. Witness: Mr John Major, Chancellor. (Grand Committee Room, Westminster Hall, 4.30 p.m.)

Tomorrow

Commons: Education (Student Loans) Bill, second reading.

Motion on teachers' pay and

contraons.

Lords: Food Safety Bill, second reading.

Question to Government on international aid for Cambodia. Select committee: Parliamentary Commissioner for Administration: subject, reports of the Commissioner. Witness: Sir Geoffrey Howe, Leader of the

Wednesday

Commons: Property Services Agency and Crown Suppliers Bill, second reading Motion on Local Government Act (Competition in Sports in Leisure Facilities) Order

#### **APPOINTMENTS ADVERTISING**

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Trade fairs and exhibitions: UK

December 20-24 Late Late Christmas Shopping Show (01-378 7131) Olympia

January 4-14 London International Boat Show (0982 854511) Earls Court January 10-12

Supercomputing Exhibition and Conference SUPERCOM-PUTING EUROPE (01-948 5166) **Olympia** January 13-18 International Toy Fair (01-226 6653) Harrogate

H 30 3

#### Overseas exhibitions

December 8-17

Business Fair - RIO NEGOCIO (01-499 0877) Rio de Janeiro International Telecommunica-tions Exhibition - EUROCOMM (01-495 7977) - Amsterdam

Frost & Sullivan: Supervising

personnel in a professional and

technical environment (the Tritt method) (01-730 3438)

IGS (UK): Property develop-ments and Government grants

in the inner cities (01-863 6479).

Cafe Royal, LondonDecem

Croner Conferences: Hazardous

waste management in the 1990s

Royal Garden Hotel, London

The Strathclyde Institute:

International conference on

strategic manufacturing

IBC: Global emerging stock markets - the potential for the

Portman Inter-Continental

Hawksmere: 1992 - Opportuni-ties and pitfalls for the Euro-

Hotel, London

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1990s (01-637 4883)

Gleneagles Hotel, Auchter-

## **Business and management conferences** The Strategic Planning Society: Strategy — Global & European? (01-636 7737)

December 11-12

December 12

er 13

(01-547 3333)

December 13-14

(041-552.40117)

January 22-23

January 25

Royal Institute of International Affairs/The British Institute of Energy Economics/The International Association for Energy Economics: Environ-mental challenges: The energy response (01-930 2233) Chatham House, London

FT Conferences: World Telecommunications (01-925 2323) Hotel Inter-Continental,

Ernst & Young: Tax investigations - a practical approach Queen Elizabeth II Conference Centre, London

December 7 Fibex: Doing business in Spain - a comprehensive guide to corporate strategy (re-run) (01-489 Le Meridian Hotel, Picca-

December 7 The Henley Centre: Consumer convergence in Europe (01-353 The Brewery, London December 7-8 LLR Idustrial: Profit opportuni-

ties in the UK transportation infrastructure - what's in it for the contractor and financier?

Kensington Palace Hotel, London

pean insurance industry (01-824-8257) Scandic Crown Hotel, Brus-

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

Lords: Debate on the future of the National Health Service.

Weights and Measures (Sale of Wine) Bill, second reading. Trade Unions Act 1984 reading. Select committees: Energy: subject, BP/Britoil job losses

and asset sales and industrial and commercial gas pricing. Witnesses: Association of Professional Executive Clerical and Computer Staff, Major Energy Users Council and Gas Consumers Council. (Room 17, 10 a.m.)

Transport: subject, roads for the future. Witness: Mr Cecil Parkinson, Transport Secre-tary. (Room 6, 10.30 a.m.) Parliamentary Commissioner

for Administration: subject, report of the Health Service Commissioner for 1989. Witnesses: Peterborough Health Authority and Basildon and Thurrock Health Authority.

(Room 19, 10.45 a.m.)
Welsh Affairs: subject, toxic waste disposal. Witness: Committee of Welsh District Councils. (Room 18, 10.45 a.m.)

Defence: subject, reliability and maintenance of defence equipment. Witnesses: Defence contractors. (Room 16, 10.50 trade with Eastern Europe, Witness: Mr Tim Sainsbury, Under-secretary for Foreign and Commonwealth Affairs.

Trade and Industry: subject,

Employment: subject, training and youth training scheme.
Witnesses: Employment
Department officials. (Room 20, 4.15 p.m.)
Foreign Affairs: subject, win-

ter supplementary estimates. Witnesses: Foreign Office Over-seas Development Administration officials. (Room 6, 4.15 p.m.)
Defence: subject, reliability

and maintenance of defence equipment. Witnesses: Defence contractors. (Room 15, 4.20

Procedure: subject, working of the select committee system. Witness: Mr Michael Ryle. (Room 8, 5 p.m.)

Thursday Commons: National Health Service and Community Care Bill, second reading. Lords: Human Fertilisation and Embryology Bill, second reading.

Commons: Debate on action to tackle the misuse of drugs.

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#### APPEL D'OFFRES/INVITATION TO TENDER

The Western Riverside Waste Authority intends to itwite tend from suitable firms for the fubrication, pointing, testing and delivery of 350 solid waste containers (L.S.C.).

The Authority therefore invites applications from subably experienced firms to be included for includen on a list of solor contractors from whom tenders will be invited.

The General Manager, Western Riversida Wa Western Riverside Waste Transfer Station,

London SW18 37U. to be received not later than 31st December 1989.

In applying for inclusion on the selected list, applied provide the following details:

merclers Way, Wandsworth,

L'Organisation de Coopération et de Développement Economiques (OCDE), dont le siège est Paris, lance un appel d'offres pour la fourniture éventuelle des prestations sociales suivantes pour son personnel: assurance des soins de santé, assurance décès, invalidité, et accidents du travail, gestion des remboursements de frais médicaux.

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Date limite pour le dépôt des offres: 19 janvier 1990.

#### SCOTLAND

The Financial Times proposes to publish this survey on:

15th December 1989

For a full editorial synopsis and advertisement details, please contact:

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# FINANCIALTIMES SURVEY



The extraordinary performance of the Thai economy continues to defy belief. As Roger

Matthews reports, there is little talk of soft or hard landing. Instead,

in recent years that Thais forecast continued strong growth until 2000

# Confounding the sceptics

THAILAND and its economy continue to defy gravity. While much of the industrialised world worlds about hard or soft landings. Thailand remains not just airborne but still climbing and af such a steep angle that it could even achieve this year or next the accolade of the world's fastest-growing economy.

Once again many analysts and economists have this year been proved wrong about Thalland, much as they were about the previous 12 months. Last year was supposed to be when Thalland hit the wall. It did not seem possible, to most non-Thal forecasters, that 11-per cent growth could be squeezed out of an economy with such an overstretched infrastructure. And if it did not seem possible last year, then 1989 certainly had to be a year of consolidation, of a more comfortable 5 per cent to 7 per

cent growth.
Instead, latest forecasts are for another year of double digit growth in gross national product and predictions for 1990 are already in the 9-10 per centrange which should put Thailand beyond the reach of most competing aconomies, even those in Asia. During the life of the sixth five-year plan, which

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concludes in 1991, it is being confidently predicted that annual growth will have averaged close to 85 per cent, an extraordinary achievement.

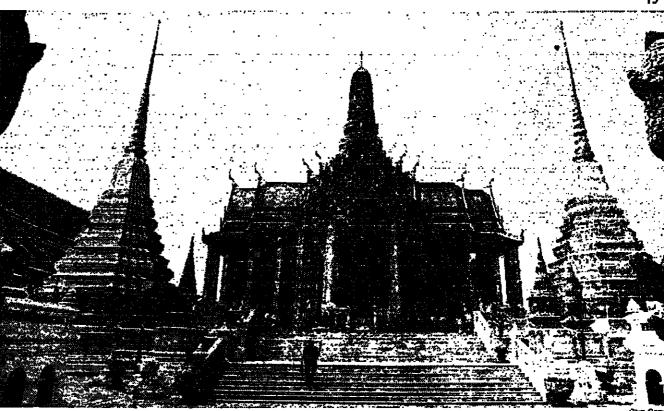
extraordinary achievement.
It has also helped to create a platform and a momentum which most That planners believe will keep the economy moving ahead strongly until 2000, albeit at a slightly more modest rate of around 7.5 per cont.

Cent a year.

Thalland may be fortunate in that ideology plays a minor role in national life. The country changes governments but not systems, allowing a continuity of policy and attitude tempered mainly by individual style. During the latter part of the 1970s and for most of this decade, under the rather austers premiership of General Prem Tinsulamonds, ministers and politicians followed broadly the macro-economic guidelines provided by the often western-educated intellectual eithe of the civil service. It was to Thalland's credit that in August 1988, a popularly elected prime minister took charge of government for the first time in more than 12 years, but at the same time it has imposed new strains on the delicate four-way balance

between monarchy, military,





which is fast emerging. Given

that some 66 per cent of Thai

employment is in agriculture

and that many farmers live

close to - and sometimes

below - the poverty line, and

that there is also a substantial

body of urban poor, all too few children remain at school

beyond the primary level.
It is less than one-third of

the levels of South Korea and

Taiwan, and half that of Malaysia. At the tertiary level the

comparisons are more bal-

anced, but Thailand's tendency

to produce more arts graduates

than scientists and engineers

will have to be corrected if the

government wants over the

longer term to limit the num-

ber of expatriates being

brought in by foreign companies investing in Thailand.

While the absolute number of foreign investment applica-

tions to the Board of Invest-

ment has failen, the overall value of pledged commitments has increased. In crude com-

mercial terms, which is how the rest of the world often

seems to be viewed officially

from Bangkok, events in China

provided a double fillip. First,

revulsion at Tiananman

Square will slow the pace of foreign investment in the

## THAILAND

politicians and civil service.

The present government coalition under General Chatichai Choonhavan, in spite of cynical warnings that during its presumed brief existence the cabinet nest would become the best feathered in modern Thai history, initially dumbfounded its critics. It proved popular, relatively sure-flooted, and not coach records.

and not overly rapacious.

However, latterly it has appeared to lose its sureness of touch. In early November, General Chatichai was at first dismissive of the awful impact of a typhoon which hit the south of the country, but with the death toll rising towards 500 was forced to recant, pay a belated visit to the worst-hit areas, and then to postpone a high profile foreign trip to the US. His initial indifference to the disaster provided a field day for his critics and for those who are assumed to covet his job such as the army chief, General Chavaolit, who regularly stirs the political pot with talk of his impending retire-

ment from the military.

This prime ministerial gaffe came hard on the heels of a setback for General Chatichai's highly individualistic foreign policy which, with a resumption of fighting in neighbour-

ing Cambodia, looks increasingly unlikely to deliver his stated ambition of transforming Indochina from a battlefield into a trading zone, with Bangkok as its hub.

General Chatichai's court-

ship of Mr Hun Sen, the Viet-

namese-backed Prime Minister of Cambodia, which was opposed both by much of his own Foreign Ministry and by several members of the Association of South East Asian Nations, may, according to his detractors, have played inspact of directly into the hands of Vietnam and thus further delayed any prospect of a durable settlement in Cambodia. They complain that the wrong signals were sent to Hun Sen and Handi just at a moment when continued international pressure might have persuaded them to make real concessions for those to the non-Communist Cambodian resistance.

Thailand, meanwhile, also

reguallows its territory to be used
twith for the supply of mainly Chinese weaponry to the Khmer
Rouge, Hun Sen's most avowed
enemy. Its recent successes on
the battlefield have aroused
chai's reign
reign from its slumber as to the reality and hypocrisy of the international politics surrounding

the Cambodia issue.
Thailand's support for the

unpopular military regime in Burma is similarly based on this dual consideration of where Bangkok's commercial and political interests best lie. In the case of Rangoon, the Thai government would not want to see the civil strife leading to a refugee problem rivaling that on the Cambodian border, while at the same time it is not difficult to appreciate the benefits being generated by the forestry and fishing deals extracted from a near-bankrupt

But, just as the international investment community appears largely to have discounted whatever threats are posed by Thailand's neighbours, so too does it appear to have discounted what seems to the non-Thai eye as the huge domestic structural adjustments which will have to be made.

Bangkok and its surrounding provinces are an example. To the blinkered westerner it is congested, polluted, overcrowded and crying out for an immediate ban on further development. To some Thais it is still an under-utilised facility. Not entirely tongue-in-cheek, one economist

pointed out that there are still large areas of Bangkok pavements which do not support entrepreneurial activity. While the traffic is appalling, motor-

ists have yet to explore all alternative routes.

Such attitudes help to explain why Bangkok and its environs now produce 50 per cent of Thailand's GDP and why, in spite of efforts by government promotional agencies to attract new industries to other parts of the country, the regional imbalances are continuing to widen.

For those who insist on pigeon-holing countries, however misleading the exercise, it is arguable that Greater Bangkok with a GDP per capita of about \$2,600 has already achieved the status of a newly industrialised country (NIC). For the rest of this newly agro-industrialised country, the picture is far different. The north-east, for example, which is home to 35 per cent of Thailand's population, has a per capita GDP some 630 per cent less than that of Bangkok. For those people, talk of NIC status is laughable and will be for a yeary long time to come

very long time to come.

These statistics also help to illustrate how challenging it will be in the 1990s for That-

Temple dancers (above left)
and the temple at the Royal
Patace in Bangkok: such
attractions have proved a
boon for the country's tourist
industry, which is now by far
the largest single source of
foreign exchange
land to parrow the skills gap semi-skilled manufacturing

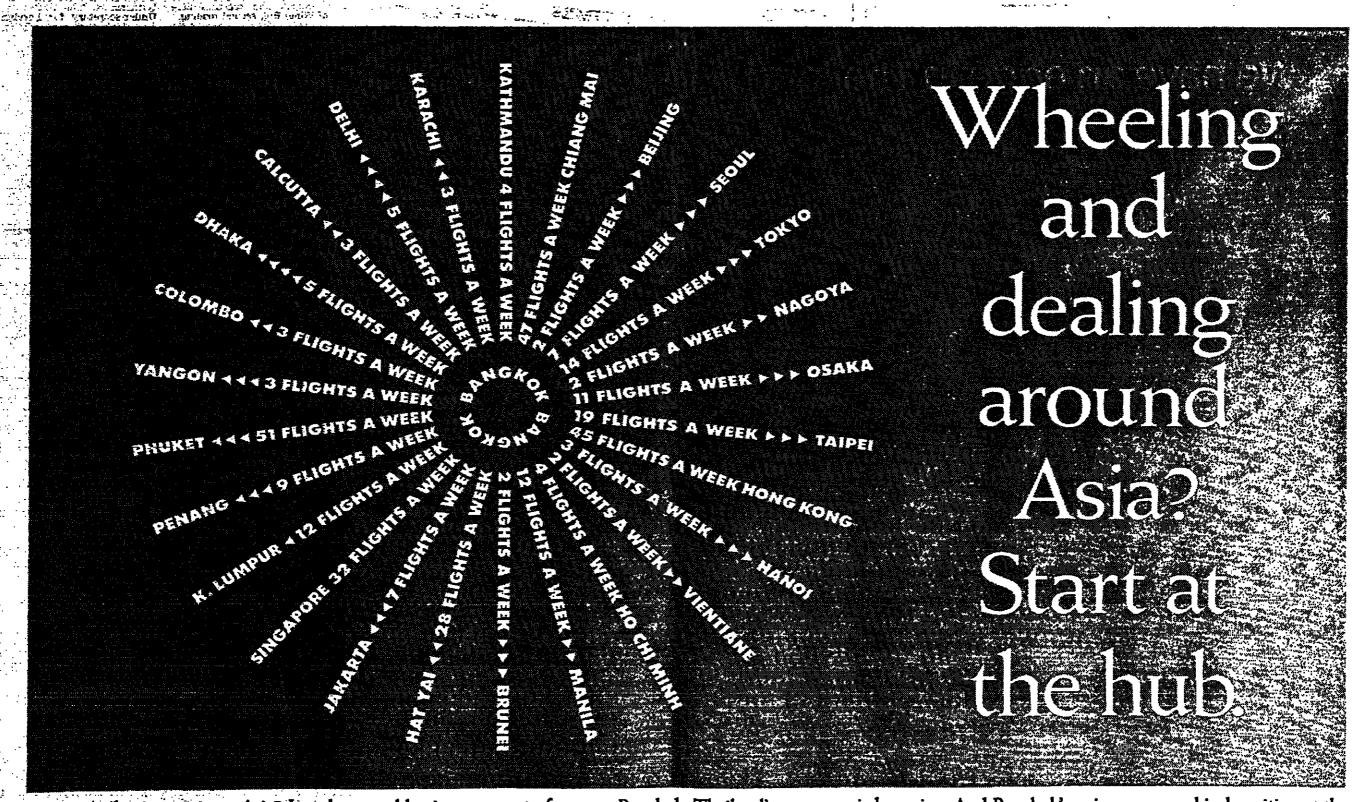
the largest single source of toroign exchange
semi-skilled manufacturing sector where the Chinese were beginning to set the Thais an increasingly tough challenge. Second, there is evidence that Hong Kong-based companies are more than ever looking to

manufacturing base.

There is also a growing sense in Bangkok that, in terms of long distance running. Thailand has broken away from the Asian pack trailing Hong Kong, Singapore, South Korea and Taiwan. The momentum it has now achieved should, according to several Thai economists, take it past Malaysia quite quickly, while widening the distance with Indonesia and the Philippines to such an extent that their comparative wage advantages will be of much less importance.

importance.

The danger, of course, with so much unbridled optimism is that it creates unrealistic expectations, tempts the gambler and encourages the greedy. Any repeat of the 1985-86 recession, the political repercussions of which are still being felt in neighbouring Malaysia, would prove even more testing in Thailand where democratic accountability has yet to put down firm roots.



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It is upon Thailand that all the forces opposing the Hun Sen government in Phnom Penh depend for their access to military and other supplies. Indeed, it has been Bangkok's policy of turning Indochina from a battleground into a market place that has offered a radical alternative to policies pursued during the past

The level of interest shown by the international commu-nity has increased in direct proportion to the performance of the Khmer Rouge on the bat-tlefield. When the long aban-doned town of Pailin fell to the Khmer Rouge in October it was the signal for an outbreak of international indignation and hand-wringing as the implica-tions of western support for the tripartite Coalition Democratic Government of Kampuchea suddenly became clearer.

Pressure immediately mounted for governments to distance themselves from the militarily dominant Khmer Rouge part of that coalition. Calls were also made for Thailand to halt the flow of aid and military equipment reaching the Khmer Rouge, which between 1975 and late 1978 had been responsible for the mur-der of hundreds of thousands

For the Thais the greater perceived threat to their sovereignty and independence has long been the Vietnamese, and especially the post-Second World War Vletnam with its feared aims of regional domi-The defeat of the US in South Vietnam and the drawing in of Laos and Cambodia into the Vietnamese web posed all too obvious threats to Thailand. The Khmer Rouge, however distasteful, were implacably opposed to the Vietnamese and, as ever, my enemy's

In so far as the Khmer Rouge stood between the Vietnamese army and Thai territory there was every reason to allow through a steady flow of mainly Chinese material sup-port, just as western arms and cash transited Thailand on the way to the two non-Communist Cambodian opposition forces headed by Prince Norodom Sihanouk and former Prime Minister Son Sann. While a coalition headed by Prince Sihanouk has long been viewed as the most desired solution to Cambodia's agony, there is lit-

#### FOREIGN AFFAIRS

## Sharp divide on the home front

ing Hun Sen, General Chati-chai hoped to show them the obvious economic benefits

which could flow from an

internationally acceptable political solution to Cambodia.

One part of that solution is now in place with the Vietnam-

thrown away the chance of completing the peace process. By lifting the diplomatic and

economic pressure on the Cam-bodian and Vietnamese govern-ments without gaining any-

thing much in return, it is argued that General Chatichai has only encouraged Hanoi's

belief that it can continue to exercise a decisive influence

Following the recent if limited Khmer Rouge advances into Cambodia it has also

allowed Vietnam to present the

their youthful protege in Phnom Penh, Hun Sen, and the

mass murderers of the still

such a choice may seem to some, several members of Asean are certain that it could

not possibly provide the basis for a lasting settlement in Cambodia. Accepting Hun

Sen's regime as the most prag-matic option for Cambodia

ignores both the capabilities of

the Khmer Rouge and, perhaps more importantly, the determi-

nation of China that Vietnam and the Soviet Union should

not be the dominant influence

on Phnom Penh. Equally China

is unlikely to be prepared at this juncture to tolerate the

loss of international face inherent in a significant reduction

in its level of support for the

Khmer Rouge.
It is therefore hardly surpris-

ing that there should be sharp

differences of opinion within the Thai government on how

best to proceed. For instance, Siddhi Savetsila, the foreign minister, has announced that

as far as his ministry was con-

cerned Cambodia was now a secondary issue while the

Prime Minister has stressed

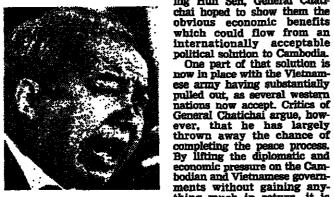
that he was proceeding at full steam with his Indochina ini-

However superficially valid

ue as a stark choice between

over Phnom Penh.

powerful Pol Pot.



(above) and Son Sann: oppoleaders in Cam whose domestic conflict has inevitably provoked increasneichbouring Thailand



tle doubt that from a Thai position the military capacity of the Khmer Rouge was still needed in order to provide vital buttressing should the Sihan-ouk option fail.

When General Chatichai Choonhavan became Prime Minister of Thailand in August 1988 he appeared to turn the agreed policy of the Associa-tion of South East Asian Nations (Asean) on its head by unilaterally ending the almost total non-Communist isolation of the Vietnamese-installed government in Phnom Penh and by declaring his ambition of turning Vietnam. Cambodia and Laos into a single trading bloc with Bangkok at its hub. By inviting leaders from those countries to Bangkok, includ-

that there will be intensified fighting over the next few months as each Cambodian faction seeks to strengthen its bargaining position for the next session of negotiations, whenever they are. The non-Communist opposi-

Hun Sen, Prince Sihanouk and others all profess a belief

tion claims that Hun Sen will be more flexible after his forces have lost more territory. The weakness of that argument is that it is most likely to be the Khmer Rouge which makes the advances and it will be that faction which is most effectively strengthened by the fighting.

But at least for Thailand there seems no imminent risk of Vietnam re-occupying Cam-bodia, a likelihood reinforced by the policies of President Mikhail Gorbachev in Moscow and the urgent need of Hanoi to put its economy onto a

sounder footing.
To this end the distractions of Cambodia should not disguise the impetus that General Chatichai's Indochina trading policy has given to commercial relations with Vietnam. Thai businessmen are to be seen increasingly in both Hanoi and
Ho Chi Minh City and several
joint ventures have been
agreed in the past year.
A not dissimilar policy has
evolved on Thalland's western

border where Burma completes the loop of poverty surround ing one of the world's fastestgrowing economies. Since September of last year the Bur mese regime has been shunned by much of the western world for its vicious repression of the mass pro-democracy movements. Yet for Bangkok it has not been just business as usual, but a more emphatic enhancement of commercial relationships.
Thai companies have taken

advantage of Burma's desper-ate need for foreign currency by signing extensive logging contracts, especially for teak and by signing new agree-ments for its large fishing fleet to operate in Burmese waters. Border trade between the two countries is said to be booming in part because of Rangoon's refusal to adopt a more realistic exchange rate.

There are similar reports from the Cambodian border and to this extent at least part of General Chatichai's policy seems to be paying off. Whether it will also contribute to a durable peace in the region with Thailand's neigh-bours at long last getting governments they deserve is alto-gether more doubtful.

Roger Matthews

## Roger Matthews on an economy exceeding all expectations

## Track record to equal the best

"THE That economy today exhibits high potential and its ability to expand is unlimited," trumpets the research department of Bangkok Bank in its latest assessment of the country's performance.

And that is indeed the mood

of many people who increas-ingly sense that the so-called "golden age", more often pre-dicted for the 1990s, may have already dawned with Thailand about to complete its second successive year of growth above 10 per cent. The hat-trick is by no means impossi-

There had been for some years a strong element of eco-nomic triumphalism among a small band of Thai economists, but it has only been in the past 12 months or so that more tra-ditionally cautious commentators have been leaping on to the bandwagon. The main reason appears to be the demon-stration this year of the Thai economy's unexpected capacity to sustain such high growth

There is also a growing appreciation of how much more broadly based the economy has become in the past five years with tourism racing away to become the largest sinele earner of foreign exchange, capital flows boosted strongly this year by portfolio invest-ment, industrial output expanding rapidly, and agricultural production rising as a result of firmer than expected

At the same time the worst of the feared infrastructural constraints on development have not materialised. Conges-tion at Bangkok port has eased and with new facilities soon to be available the long delays of last year should not reoccur. Although the road network is inadequate traffic is still mov-ing. Electricity power generation is just about coping with surging demand, but anxieties remain about the second half

Many sense that the so-called "golden age" may have already dawned with

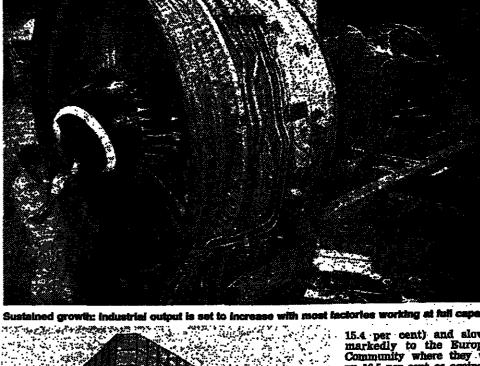
Thailand about to complete its second successive year of growth above 10 per cent

The quality and availability of telephone lines is still a problem, but does seem to be improving. It is regrettable not be reached about aspects of the bureaucracy. But, overall, the past 12 months have provided confirmation of Thailand's capacity to squeeze more out of an overloaded sys-

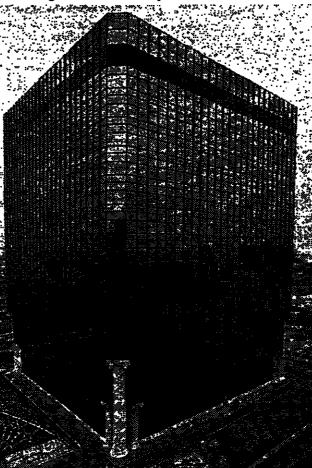
This has meant that in most individual sectors of the economy performance has matched or exceeded expectations. Man-ufacturing output growth appears not to have slowed in the first nine months and is likely to grow overall by about 12.5 per cent with most factories working at full capacity. The increased spending power of Bangkok's growing middle class is particularly obvious in the 43 per cent increase in the production of cars and motor cycles during the first seven months of 1989.

The construction industry remains all too visibly (and audibly) the star performer in spite of bottlenecks in the supply of materials and sharply rising land prices, particularly in Greater Bangkok.

On the evidence of the first six months, construction growth should be close to 20 per cent for the full year. In the period until September, production of steel rods had jumped 37 per cent over the corresponding period in 1988, while cement production was



es tectories working at full canecity



With a large number of new commercial and housing projects announced during the course of this year, plus an anticipated increase in public spending on infrastructure, the pace of growth in the industry is unlikely to slacken, unless developers become alarmed by the price increases in material supplies.

There is a similarly encour-

aging outlook this year for Thailand's external payments grow strongly at about 30 per cent over 1988 and the services sector making a larger than anticipated contribution. The trade deficit will be some \$0.5bn less than the forecast \$5.3bn at \$4.8bn but still up substantially from 1988's \$4bn.

Best estimates at mid-year suggested that the current account deficit will rise to about \$2.2bn from \$1.72bn the previous year, or to about 3.5 per cent of gross domestic product as against the \$3.44bn and 5 per cent of GDP which had been forecast at the start of this year. The balance of

up nearly 31 per cent, but payments has benfited considered could still not fully cope with enably from capital inflows recording a surplus of \$3.24bn in the first eight months, or 2.7 times more than in the corresponding period of 1988. As a result, at the end of August Thailand's international reserves had risen to \$9.38hm. equivalent to 4-6 months of imports.

Although exports have in the first eight months of 1989 increased faster to Japan (48.6 per cent) than to the US (37 per cent), an indication of Thai-land's breadth of markets, the figures also contain a cautionary note.

During this period US sales to Thailand, including military equipment, rose by only 12.4. per cent, leaving a bilateral surplus in Thailand's favour of \$1.37bn, which is nearly 80 per cent higher than for the first year. It is the sort of statistic which is noticed by protectionist-minded legislators in Wash-

That exports to other parts of the world have risen less emphatically this year with sales to Asean countries climbing by 25 per cent (as against

15.4 per cent) and slowing 15.4 per cent) and showing markedly to the European Community where they were up 16.5 per cent as against 26 per cent in 1988.

Meanwhile the most public and resistant envises years and the conditions of the cent of the ce

and persistent anxiety remains the rate of inflation. According to official figures for the first nine months of the year infla-tion has increased by 5 per cent over the comparable period in 1988. However, given the nature of the shopping bas-ket used to calculate the inflation rate and the vast disparities of income in Thailand it is difficult to assess the impact of the present inflation rate.

For a middle class manager who has just seen his shares double on the stock market, 6 per cent inflation is immate. rial. But for a labourer earning

There is also a growing appreciation of how much more broadly based the economy has become with tourism racing away to become the largest single earner of foreign exchange

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the basic wage of \$3 a day it might he very serious," com-mented an economist.

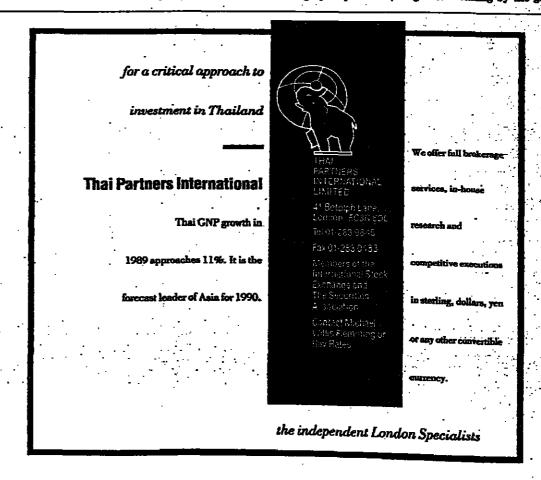
This difference is made more emphatic with the cost of basic foodstuffs in Bangkok estimated to have risen by about 10 per cenf this year, with rice and meat setting the pace. The government has pledged to hold inflation at the 5 per cent level but it faces an uphill

For a start world inflation is likely to push up the price of ... Thailand's imports next year, while what has been happen-ing locally in the construction industry — with demand for materials outstripping supply - may be repeated in other areas of the economy with

for prices. Depending on what happens. to world oil prices there could also be more pressure on the already depleted special fund. Thailand has to cushion the impact of rising hydrocarbons costs. Any increase in petrol prices would not only be impo-pular, it would immediately be passed on in many different guises to the consumer.

However, for the moment. forecasters appear to believe that inflation can be contained within the 5 per cent-6 per cent range, and for so long as real growth is around 9 per cent. 10 per cent, there should no serious adverse political or economic effects and thus no need. for anything more than fine tuning by the government.





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#### Peter Ungphakorn on a PM accused of ignoring domestic troubles

## Casual approach backfires

IN November, Typhoon Gay devastated a broad strip across the southern peninsula of Thatland and the country's first elected Prime Minister in more than a decade, General Chati-chat Chocalavan, walked into a storm that could mark a turning-point in his government's fortunes.

Hundrens died, thousands were left homeless, and entire rubber and coccust plantations were flattened. As relief operations began, General Chatichal was seen on television visiting his north-eastern constituency of Nakhon Ratches-ima, taking delivery of a multi-million Baht luxury count manufactured locally that he used for himself

His first visit to the disaster area, a day later, was to a dis-trict that had only enfered minor damage. On capera, he played down the seriousness of played down the seriousness of the situation. Fewer people had been killed, he said, than in the murderous floods a year earlier that had sent logs — many felled illegally — ripping down mountainsides and through the villages below. So, there was little for source about there was little to worry about, General Chatichai said, adopting the "no-problem" response that has been the hallmark of his public comments.

The next day, thousands of bereaved and homeless southerners demonstrated spontane-ously on what was left of the main highway, blocking among other traffic a military relief convoy led by the wife of the

neral Chatichai was summoned to the palace in Bang-kok for an audience with King Bhumibol Adulyadei. What transpired is not known. But subsequently he cancelled an important visit to the US and made several more effective visits to the south. Some of the damage to the Prime Minister's danage to the Prime Ministric mage caused by this excessive use of his "no-problem" philosophy may have been repaired. But the episode is not forgotten, and it represents the first serious blemish in the That public's perception of their Prime Minister 15 months after he took office. he took office.

Critics are now starting to accuse General Chatichai and his advisers of being insensi-tive to domestic troubles; and preoccupied with Cambodia. and other diplomatic issues. A serious rift has developed

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Allies: General Chatichel with China's Deng Xiaoping

between the Prime Minister the political fray with his and his Foreign Minister, Air Chief Marshal Siddhi Savetale, sights set on becoming prime minister. The only doubt seems leader of the second largest coalition partner, the Social to be whether he will form his own party or join an existing one. He has been making a Action Party, In late November, Air Chief number of well-publicised statesman like comments on a range of topics, including cor-ruption in the government.

The two army television sta-

tions lost no time in stressing General Chavalit's personal

role in mobilising the military relief efforts after Typhoon

of corruption echo a growing concern expressed in Thai and

foreign business circles, where questions are also asked about

military probity. Where once

kickbacks were tolerated as a form of "commission" that

would have little effect on

Thailand's dramatic economic

growth, serious questions are now being asked about the way

large government contracts are awarded and about alleged

nepotism behind investment

promotion or protection deci-

Minister, General Prem Tinsu-

lanonda, was reputedly clean, did not have to stand for elec-

tion, and therefore could afford

to curb the appetites of some of

his ministers, General Chati-

chai is not seen as a leader

capable of exercising the same

is the obvious outcome of the electoral process. In Thailand's

military dominated politics.

voters have never been trusted to make choices based on pol-

The behaviour of ministers

restraint.

Whereas the previous Prime

General Chavalit's criticisms

Marshal Siddhi amounced he would no longer be involved in Cambodia-related diplomacy because of General Chatichai's dominating interest in the issue, and greater willingness to compromise with the Vietnam-backed regime in Phnom Penh. Other SAP Ministers are making similar disclaimers over troublesome issues that could embarrass Prime Minis-

ter's Chat Thai Party.

The typhoon episode also brings together other key elements that could be crucial for Thailand's political future: the army and the King. It suggests a weakness in the way General Chatichai is advised, a key issue for this Government which has contributed to the rift with the foreign minister. And it comes at a time when Theiland's democratic reputa-tion could be deated because of a ban on the Asian Wall Street Journal and threatened actions against the Far Rastern Eco-nomic Review and the Economist, as well as two That dai-

. Another domestic concern regards the future intentions of General Chavalit Yongchaiyudh, the Army Commander in Chief and Acting Armed Forces Supreme Commander. General Chavalit recently repeated his intention to retire early. But most observers are convinced he intends to enter

icy, and although the system is freer than during the harshly anti-left period of the late 1970s, personalities and influence are the key to politics.

Voters vote according to personal contacts. They choose the candidate who is supported by their relatives or neighbours because personal connec tions are often the best way to solve problems with official-dom or to bring roads, bridges and wells to a community.

Candidates express their gratitude by paying voters money. Vote-buying is illegal, but rife. The same relationships extend to the national assembly and influence Cabinet appointments. Some ministers, who even admit privately that they take kickbacks, claim they are simply replenishing party funds, but they are also very rich, often from other terminal legistration. activities of varying legiti-macy. Party leaders are dependent on the party financiers, and so long as voting behav iour remains unchanged, the system will be difficult to alter.

If the military intends to seek a return to power, it would justify its actions by pointing to graft and the rising cost of living. But, although army officers still see themselves as the best equipped to run the country, the coup rumours that used to be a perennial feature of Thai poli-tics have not been heard for months. That public opinion is becoming increasingly opposed to military rule.

Yet with a strong economy, public dissatisfaction with the Government appears, therefore, little more than habitual moaning, and electoral govern-ment - if not always in the spirit of democracy - is becoming increasingly entrenched in Thai society.

Income disparities could become a more serious issue, if, as appears likely, world prices of Thai agricultural exports start to fall and affect the recent rural prosperity. Quietly watching behind the scenes is King Bhumibol Adulyadej, now 62, who in recent years appears to have nudged Thailand's political leaders in terrestable political deaders. increasingly stable and democratic directions. Thais are prope to wonder what would happen if they did not have a monarch so subtly caring about the welfare of the people.

Peter Ungphakorn reports on the battle over monetary affairs

## Open dissent as dispute over interest rate policy worsens

BANKS are no longer big news in Thailand. In the middle of this decade, government rescues and takeovers provided running - and sometimes sen-sational - stories in the business pages of the newspapers.

ministry officials are still watching carefully some of the banks and finance companies in trouble during those years of recession. But recent rapid expansion has eased bad debt

At the end of September the banking sector had grown faster over the previous 12 months than at any time in the past five years. It expanded by about 22 per cent to Baht 1,351bn for assets and Baht 1,072bn for deposits. Lending had expanded by 24.5 per cent and net profits were up 36.2 per cent at almost Baht 6 trillion (million million).

The news is now about the battle between the Finance Minister, Mr Pramual Sabha-vasu, and the Bank of Thailand over monetary policy. The central bank wants to raise the present 15 per cent ceiling on loan interest rates in order to curb inflation. Mr Pramual has allowed interest rates to float on fixed term deposits but appears loath to take any action that would hurt borrowers and argues that the present rate of inflation is not serious and will soon fall.

After 15 months in a position sceptics feared might be beyond his capabilities, Mr Pramual has successfully kept government finances in rein to the extent that planned budget deficits are smaller and, by the end of the last fiscal year in September, the government actually emerged in surplus.

But Mr Pramual has revealed an impatience with sent. As a result, Bank of Thailand officials cannot remember when relations with a finance minister were worse. Some have taken to re-reading the rule books only to discover that many areas of monetary policy and financial institution supervision that they once assumed were the independent domain of the central bank, actually require Mr Pramual's approval.

Deprived of the power to raise interest rates, the central

cial bank co-operation in curbing the growth of lending in order to keep money supply in

check. But the rift is bad news for those who believe that Thailand's present economic strength provides an opportune moment for some fundamental reforms of the banking system. The Bank of Thailand is said to have its own blueprint for reform, but Mr Pramual would have to endorse the plans and no one is in the mood to risk another row with him for the

present at least.
Among the issues being discussed are: whether banks

The rift is bad news for those who believe that Thailand's present economic strength provides an opportune moment for reform of the banking system

should be encouraged to speci-alise; how the smaller of the 15 Thai banks can survive in a system dominated by the big four; and new rules to determine how much capital banks should have to cover risky

At the end of September, out of total banking assets of Baht 1,351bn, Bangkok Bank had Baht 384.7bn, state-owned Krung Thai Bank Baht 200.8bn, the Thai Farmers Bank Baht 183.7bn and Siam Commercial Bank Baht 125.4bn.

A related question, and one that appears more often in the press now, is whether more foreign banks will be allowed to join the 14 that already have branches - usually one each - in Thailand. This has become the personal territory of Mr Pramual and questions are being asked about the crite

ria he is using to reach a decision. Few are willing to bet on the outcome.
The Bank of Thalland tends to favour "universal banking because of the flexibility and diversity of operations. Many commercial bankers agree. The most difficult question is whether this would allow banks to trade in securities, an

area where even those in

favour of universal banking

often draw the line. The close links between the banks and

finance companies to concentrate on fee-earning - rather than interest-earning - activities. Some of the larger finance companies, particularly those affiliated to the bigger banks. are already said to be poised to move into genuine retail bank-ing, although their high profit-ability is mainly the result of securities trading during the recent bullish stock market.

would be to encourage the

affiliated manufacturing and trading companies are already

causing concern about concen

tration of ownership and

Either way, legislation on banks and finance company

licensing would be needed. At present, for example, finance

have stock-trading licences,

can issue promissory notes,

but cannot take "deposits" or

One approach to universal banking would be to blur the

distinction between the 29 Thai

and foreign commercial banks and the scores of finance com-

panies. Another approach

make financial transfers.

But one of the concerns of the Bank of Thailand would be how to help the many weaker finance companies survive in the face of competition from the large banks. Merger, or takeover - perhaps with a foreign bank seeking a route to the Securities Exchange of Thailand or brownie points that might help the bank acquire a branch licence - is without a significant redrawing of the lines, some foresee a shake-up in the next few years, at least among the lower ranks of the Thai commercial banks.

One Thai banker, for example, believes that within 10 years, and probably sooner, the number of Thai banks will have to fall because the smaller banks will not be able to remain competitive.

So long as the Bank of Thailand refuses to allow banks to

nationalised and then merge with state-owned Krung Thai Rank) would be the most likely route. Several medium-to-small sized banks are already co-operating in loan syndication or issuing joint credit cards. But finding a suitable partner, harmonising accounts and finding the will to merge is an entirely

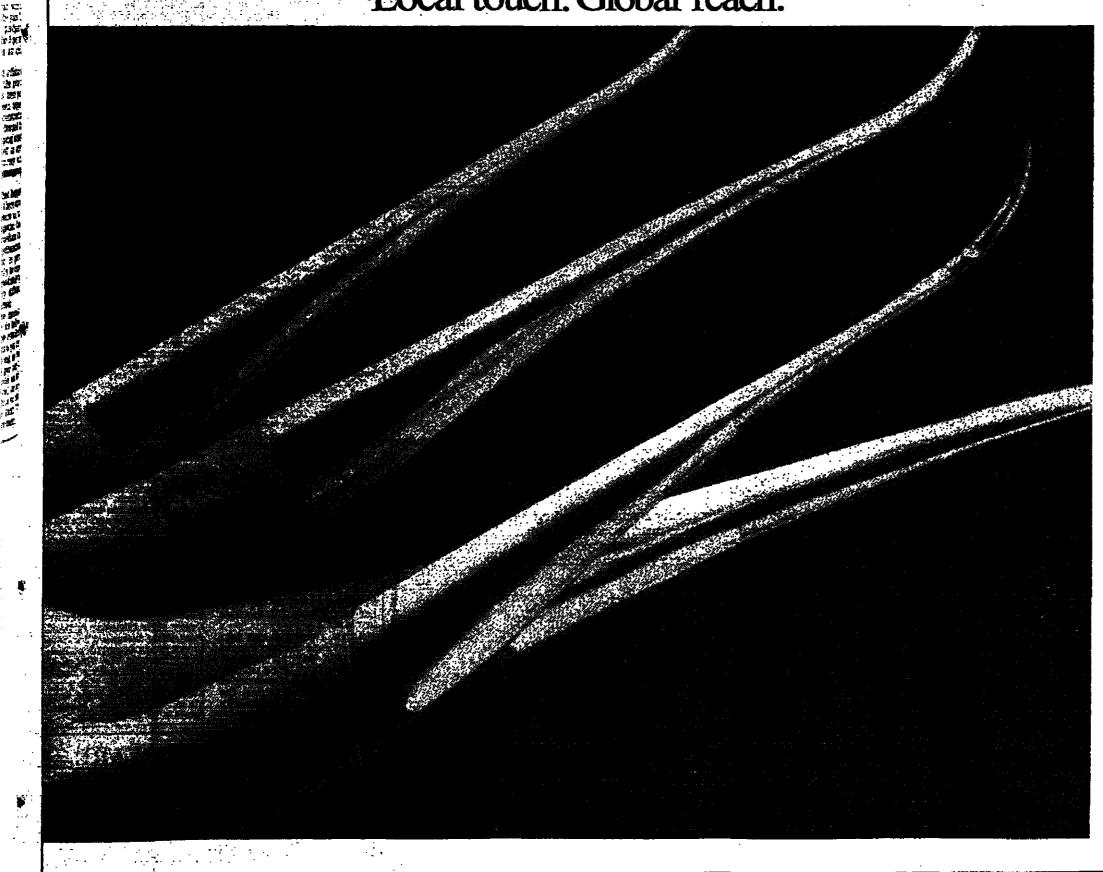
different affair. Although the central bank would like to encourage com-mercial bank mergers - and, again, the possibility of foreign banks being involved is also mentioned - some officials say that controlling families would be reluctant to give up their

In spite of a policy designed to diversify ownership, even Bangkok Bank and the Thai Farmers Bank remain in the control of their founding families (Soponphanich and Lamsam, respectively). Meanwhile, with apparently fewer bad debts to monitor, commercial bank supervisors in the Bank of Thailand are revising rules on capital adequacy, drawing ideas from the Basle Committee's agreement reached under the auspices of the Bank for International Settlements.

ferrobre tor sed breliedT the agreement, but officials are considering variations on the agreement's theme, including a scale of risk weightings for various types of assets instead of the present zero or 100 per cent weights, and redefining "capital" so as to include a cat-egory for loan instruments whose yields are more closely related to the bank's profit than to interest. The present requirement for capital to cover 8 per cent of assets would remain.

Also being considered are tighter consumer protection rules to cover credit card and automatic teller machine cards. Credit cards are being aggressively marketed now. But officials see little chance of legislation on any of these issues being introduced into parliament for at least a year. Across town, in the finance ministry, Mr Pramual keeps everyone guessing as to which new foreign banks will be allowed to join those already in Thailand. But Mr Pramual is

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Peter Ungphakorn on foreign participation in domestic economic development

## Investment slowdown just a small blip

AFTER an exceptional year in 1988, foreign investment in down to more normal but still healthy levels.

In the first nine months of this year the Government's 906 projects envisaging total growth of almost 40 per cent over the corresponding period in 1988. But applications, which may take a year to process, only rose by 6 per cent in

Two reasons are given for the slowdown. Investors are said to be concerned about infrastructure congestion caused by economic growth in the past three years that has exceeded all expectations.

Officials point out that applications for tax holidays and other promotional privileges d last year to more than 2,000 projects. This year's total is expected to return to more normal trends, about 1,200 projects. In 1987 there were 1,057 project applications.
But behind the aggregates
lie some fundamental changes

in the nature of investment in Thailand, at least as far as proects seeking promotional priv-

In the first nine months of this year the number of applications fell by 41 per cent to

843 projects. But their value grew by about 6 per cent to Baht 284.6bn.

The fastest growing category was for projects worth Baht 1bn or more. Among the applications, a larger proportion -52 per cent as against 45 per cent a year earlier - were joint ventures involving Thai and foreign partners. The focus seems to be shifting to larger projects such as big hotels, electronics and machine parts manufacturing.
Of the applications, Japan

projects continued to lead with 150, followed by 104 European, 59 from Hong Kong, 89 US and 134 Taiwanese projects. South Koreans have started increasing their investment in Thailand as part of the relocation from "the Four Tigers," but still at a much lower level. The South Koreans are said to favour Indonesia whereas the Taiwanese prefer Thailand and

The Government has continued to sweeten some terms for foreign investors, including easier requirements for foreign investors, experts and technicians seeking permanent resi-dence. But the privileges offered for projects in Bangkok and neighbouring provinces are no longer so attractive. Investors are moving further afield, some to the north and south, more to the north-east. But the majority are heading to the Eastern Seaboard where a new deep sea port and industrial estate are under construction at Laemchabang, and a natural gas-based petrochemicals complex is coming on stream at Mab Ta Put.

After a period of austerity, the government's increased revenue now allows for more investment in infrastructure. often with greater private sec tor participation. By 1995, for example, the Telephone Organisation of Thailand intends to nearly double the present 22m

The private sector could participate in port management and highway construction and operation. According to one tentative industry estimate, the size of Thailand's petro-chemicals market could rise from Baht 67.5hn (6.5 per cent of gross national product) in 1986 to Baht 233.8hm (10 per cent of GDP) by 1995. The petconstruction at Mah Ta Put. where gas from the Gulf of Thailand is piped ashore, would be able to meet some of this demand, supplying the textiles, plastics, toy, packag-ing, engineering and machine

tool industries. Transformations are expec ted as a consequence in state

leum Authority of Thailand and the oil refining Thai Oil Company, private sector companies, such as the agro-indus-try group, Charoen Pokphand, textiles giant Saha Union and the Siam Cement Group, and multinationals such as Shell,

Exxon and ICL The fear is that if there is a downturn in world markets the Government may not be able to resist pressure to protect domestic production. Public that there will be no protec-

Yet, in spite of complaints about the high cost of locallysembled cars and trucks, the motor industry still enjoys protection dating back to the import substitution policies of the 1960s and 1970s. Protection is also maintained for the cement industry in spite of high construction costs.

Battles are being fought over permission to allow new investments in steel rolling and glass production with suggestions that decisions are not always based on economic cri-

None of this seems to affect the majority of investors whose projects receive approval routinely, particu-larly if large proportions of production are for export. Growing political concern about corruption does not appear to have affected invest-ment either. Indeed, the domestic political situation has rarely been a factor in foreign investment decisions. Board of Investment officials say they are hardly ever asked ques-tions about political stability.

Investors are more interested to know about economic overheating and whether Thailand still wants more foreign capi tal. The Government is still campaigning for more invest-ment and the public shows little concern for what might once have been a fear of eco-

> Looking beyond the Eastern Seaboard the Government has unveiled plans for a "land bridge" crossing the southern isthmus and consisting of an oil pipeline, railway and high-way. The objective is to offer an alternative to the three shipping routes between the Middle East and the Far East through south-east Asia, by-

The World Bank, also keen to invest in Thailand and recently edged out by softer Japanese loans, is studying the project carefully. The Thai Government has asked the Bank for a \$1.5m loan to help draw up a master plan for the project which would be part of

Development Programme.

The 180 km link between the n Sea and the Lower Gulf of Thailand would cut between 835 km and 2,780 km on routes between the Middle East and the Far East, depending on whether ships travel through the Malacca Straits or through the indonesian

The Government says that Washington has offered \$1m for a feasibility study and Japan has offered additional

funding.

Thalland is heading for a new position in world trade, moving from a traditional exporter to a new centre for world trade and international shipping," says Dr Savit Bhott-vihok, director of the Office of Southern Seaboard Develop-

Sceptics consider such claims a trifle exaggerated. Dr Savit supervised the Eastern Seaboard Programme which is now generating much interest in spite of fears that it was

But the Eastern Seaboard with its on site production and large proportion of domestic investment is quite a different affair from a southern transportation link that would primarily be used by international shippers.

Strong domestic demand has driven the stock market, writes Roger Matthews

## Caution urged as index rises relentlessly

Securities Exchange of Thai-land index surged through the 750 mark to confound most analysts who, although expect-ing a bullish year with the index kicking off at 386 after a disappointing 12 months com-pared with other regional changes, would not in their wildest dreams have predicted a nearly 100 per cent gain before the end of the year.

in part, of course, the buoyancy reflects Thailand's economic fundamentals and the ppreciation domestically and internationally that the country might be capable of sustry inght be capane of sus-taining high growth rates for an extended period. It also reveals the weight of foreign institutional buying, but most brokers say that, above all, the market has been driven by domestic demand, in particular involved in the construction

Dr Maruey Phadoongsidhi, president of the SET, has several times during the year warned investors not to be too impressed by what he described as "fake" increases in the index, a reference to the disproportionate influence exercised by a single stock. For example, Siam Cement alone accounts for about 14 per cent of the market's capitalisation and, with the construction industry enjoying rapid growth and materials in short supply, the demand for the company's



Dealers on Thalland's stock exchange where builtsh trading has reflected the country's buoyant economy. The authorities have, however, urged investigations are supported in the country's buoyant economy.

shares has provided a strong impetus for the market throughout the year. It is also worth noting that Siam Cement's consolidated profits for the full year are likely to be

up by about 67 per cent. Some brokers are similarly urging investor caution as they witness shares in much lesser

caped by the relative paucity of information available to investors and by the still infant state of the research industry. It is unquestionably

managements and markets
being chased up in the wake of
the blue chip surge.

Apart from the universal
Pled Piper effect of a bull market, Thailand is also handi-

more mature markets.

As a result the Thai investor tends to be less well served than the foreigner and this in part explains the often large premium at which foreign-owned shares trade. "It is very simple. The foreign investor can see many things that the local can not. He may have bet-ter information about the company, about the markets it is competing in, and about its value relative to those offered elsewhere. As a result a share, which is worth Bahf 500 to a Thai may well be cheap at

Baht 1,000 to a foreign inves-tor," explained a broker.
What is most needed to cool the overheating of the market and provide better measures of value is simply more stock. This year there has been a steady dribble of new companies coming to the market with mes coming to the market win some interesting prospects for next year, but the govern-ment's privatisation pro-gramme, which could bring some really big players into the ring, appears for the moment to have become bog-ged down in inter-ministry wranging.

rangling.
"This would also help to weed out some of those compames which are facing impend-ing disaster but whose share price is still being chased up," said a broker. The SET should also adopt a more forceful role in policing the market and, particularly, assertions and forecasts by companies which, on the most casual investigation, can be seen to be greatly exaggerated if not grossly mis-leading, the broker added.

Other reforms which brokers say are urgently, needed include a complete overhaul of the commercial code and measures to streamline the underwriting and new issues pro-cess, which is immensely bureaucratic due to the num-ber of regulatory authorities

At the moment it can take etween three and four months from the day an investor writes a cheque to the moment that he has taken delivery of the scrip and may trade the shares. And spare a moment's pity for the board of directors.

Two members of each board have personally to sign every share document, which, if it is a largish issue, can amount to half-a-million signatures. An extension of trading

W WA

hours can also be anticipated in the new year, perhaps dou-bling the present two hours from 9.30am-11.20am together with the first moves towards a

What is most needed to cool the overheating of the market and provide better measures of value is simply more stock

computerised dealing and set tlement system. Getting to the board at the moment requires physical bulk and traders in the most active stocks tend to

be rather large men.
None of which should be allowed to detract from the fact that third quarter earnings for the 35 leading listed compa nies, which account for 71 per cent of the market's total capitalisation, revealed a 50 per cent increase over the same to have benefited, some more spectacularly than others. Smaller banks have generally done better than their larger brothers, while the huge surge in tourist arrivals and the con-sequent increase in room rates can be seen from Bangkok's number one hotel, the Oriental, where profits were up 75 per cent on a year ago.

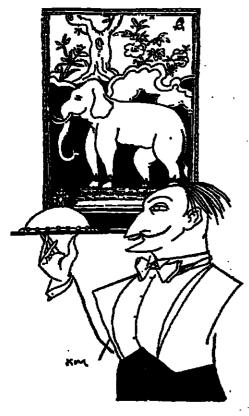
And if the strong growth in

the economy continues in 1990, corporate earnings may well maintain this year's performance with domestic demand suggesting increased interest suggesting increased interest in consumer-oriented compa-nies. However the voices of caution are also getting louder and it may well be that a sig-nificant correction could take place before the market resumes its upward path.

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Peter Ungphakorn reports on Washington's attempts to prise open the Thai market

## US steps up pressure for more open trade

THAIS ARE surprised by the apparent ingenuity of the US in continually devising new areas of trade conflict.

In 1985 there was a US bill, eventually defeated, to limit textiles imports. In 1986 the US Farm Act introduced a rice subsidy designed to reclaim for the US world market share. In 1887 and 1988. US pressure for Thalland to tighten protection for copyrights, trade marks and pharmaceuticals patents was coupled with a threat to drop Thailand from import duty exemptions offered to developing countries under the US Generalised System of Pref-

The US partly solved the roblem by signing the Berne Convention and automatically bringing American works under Thai copyright law (Bangkok had signed the Berne (Bangkok had signed the Berne Convention several years earlier.) But Thai resistance on pharmaceutical patents meant GSP privileges were withdrawn from a handful of imports from Thailand.

Now, under section 301 of the US Trade Act, which threatens allegedly protection-ist states with trade sanctions, Washington has placed pres-sure on Thailand to open its markets to US cigarettes. Thai hawks say Bangkok should not give way because the Ameri-cans will continue to find fresh complaints and will end up running Thai trade policy. Government officials in

Bangkok tend to prefer conciliation, arguing that many of the measures sought by the US, are, in any case, needed in Thailand. The Americans wonder what all the fuss is about. Thai exports have, after all, continued to thrive, growing an estimated 27 per cent to Baht 513bn by the end of this year, with about 20 per cent going to the US.

In suite of American competition, a strong sellers market has allowed Thailand to export pas anowed Thanand to export a phenomenal near 6m tonnes of rice this year, way beyond last year's record of just over 5m. With statistics like that, the Americans ask, how can Thais speak of US protectionism and unfair subsidies?

But on the latest issue. Washington appears to be more divided than on any other. The Thailand tobacco munopoly, a state enterprise, is the sole legal manufacturer

and distributor of cigarettes. The US Cigarette Exporting Association, representing American tobacco companies, has asked the US Trade Repre sentative, Mrs Carla Hills, to penalise That exports if American cigarettes cannot be sold and advertised in Thailand.

Similar moves in South Korea and Japan have succeeded in prising open those markets. Some Thais and Americans wonder how much of a market share the American companies would gain from liberalisation. US ciga-reties are immensely popular available on the black market US companies counter that

legitimising the trade would allow the Thai government to collect in tax the extra profits the black marketeers and their protectors are now earning.
But legitimising trade is only part of the campaign. The US companies are also interested

in setting up cigarette manufacturing, probably in partner-ship with some of the powerful tobacco curers in the north. This would allow them to determine how much Virginia to import as well as giving them access to the locally grown varieties. The Americans are also

demanding freedom to adver-tise. The Thailand tobacco monopoly does not advertise at long ago, a travel agency bought airtime to screen cowboys galloping around in golden sunlight and to invite Theis to visit "Mariboro country" (the well-known advertis-ing slogan for Marlboro ciga-Government persuasion stopped these as well as more recent and more explicit ads in newspapers.

Some, including an American lobbyist working in another product sector, believe the US demand to permit advertising is a mistake. Antismokers in the health ministry and elsewhere in Thailand, and on Capitol Hill in Washington, are particularly incensed. Mrs Hill still has five months to consider the cigarette

request. Meanwhile, the US has kept Thailand on a "priority watch list" under Section 301, threatening trade sanctions if it fails to provide patent protection for new pharmaceutical products. Bangkok

asked for more time – about of the 1970s have not retwo years according to the latest offer – than the Americans leave Thai resentment focused are willing to accept.

The Thai insistence on framing the law according to whatever principles are to be agreed in the Uruguay round of multi-lateral trade talks would also provide inadequate protection in Washington's eyes. The Jap-anese, in particular, and the Europeans are watching devel-opments with interest. While complaining that Section 301 runs counter to the multilateral principles of the General Agreement on Tariffs and Trade, the Japanese and Europeans stand to gain in Thailand from US aggression.

Meanwhile, the Japanese

have given up wondering why the anti-Japanese sentiments

BURMA

against the Americans. The Japanese have also been buying a larger share of Thai goods as well as supplying companies in Thailand, many of them Japanese, with more

components and machinery.

The diversity of Thai export markets and products, compared with those of other South-east Asian countries, has been the basis of the countries. try's export-led growth. Manufactured goods go to industria-lised countries; rice to China, the Middle East, Africa and Hong Kong; feed cereals and substitutes to the Koreas and the European Community.

LAOS

Udon Tha

. Phitsanuloi

Sara Buri

Nong Khai

As Thafland enters the 1990s, adjustments may have to be

CAMBODIA

SVIETNAM

and maize prices as world supply and stocks recover. Preferential grade with fellow members of the Association of South East Asian Nations (Asean) - Brunel, Indonesia, Malaysia, the Philippines and Singapore - shows signs of increasing after years of insig-

nificance. Thais are eyeing with interest the prospect of being able to increase trade with economically reformed eastern Europe. Peace and economic reform in Vietnam, Cambodia and Laos could achieve Prime Minister Chatichai Choonhavan's hope of turning "the battle fields of Indochina into a market

Thailand is actively working to strengthen the multilateral

the Uruguay round and as a member of the 14-nation Cairus group of agricultural exporters supports considerable reductions in farm trade barriers and subsidies.

But just in case the world degenerates into warring trade blocs, Thailand and Asean have cautiously agreed to join the US, Canada, Japan, South Korea, Australia and New Zealand in a round of talks that would lead to the Asia-Pacific Economic Co-operation (Apec). For the time being no one wants to see Apec turn into a battleship Pacific to combat fortress Europe, so co-opera-tion will be technical rather than an exchange of trade preferences. However, no one is taking risks.

#### Key facts

Area: 514,000 sq km Population: 53.9m President: General Chatichai

Birth rate: 1987 25 per 1,000; 1965 41 per 1,000 Urban population as % of pop:

Average of lower-middle income countries: 1987 51% Population per doctor: 1984 6,290; 1965 7,160; Average of lower-middle

income countries: Percentage of 12-17 year-old age group in secondary

1986 29%; 1965 14%; Average of lower-middle

income countries: 1984 51% Percentage of 22-24 year-old age group in higher education: 1984 20%; 1965 2%; Average of lower-middle

income countries: GDP per capita: 1987 \$350; Average of lower-middle income countries: \$1,200; Malaysia \$1,810

Real GDP growth: 1988 11%; 1987 7.1%; 1980-87 annual average 5.6%

1988 3.8%; 1987 2.5%: 1978-88 annual average 6% Merchandise exports: 1988 \$15.781m:

Merchandise imports:

1988 \$17,856m; 1987 \$12,019m Current account balance: 1988 \$-1,671m;

Total reserves exc gold: end April 1988 \$6,097m Main exports as % of total: 1988 rice 8.5%; textiles 14.5%; rubber 6.4%;

tapioca products 5.4% Main imports as % of total: 1988 non-electrical machin ery 17.5%; electrical machinery 10%; chemicals 9%; iron and steel 8% Main export markets:

1988 US 18.6%; Japan 14.9%; Singapore 8.9% Main sources of imports: 1988 Japan 25.9%; US 12.3%:

Singapore 7.7% Total external debt 1987 \$20.710m: Debt as % of GNP: Colombia 45.3%; Brazil 33.7%; Argentina 65.5 %; Mexico 69.6%

Debt service ratio: 13.6% Structure of long-term debt: 1987 official sources 66.7%: private sources 33.2% Currency: 100 satang = Baht 1 Average exchange rate:

1988 \$= Baht 25.29; £=Baht 42,29 Current exchange rate (Dec 1989): \$= Baht 25.31;

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#### **LEGAL COLUMN**

## Last chance to help update the White Book

By Robert Rice, Legal Correspondent

THE EXPERIENCE of lawyers involved in the Shearson Lehman v Maclaine Watson case has prompted the Commercial Court Committee to review the court's procedures and other aspects of its

day-to-day practices.
The aim is to revise the Commercial Court Guide for practitioners and users of the court in time for inclusion in the next edition of the White Book, the rulebook for the in preparation. There is an informal group to obtain and collate suggestions for the revi-sion of the guide consisting of Mr Justice Hobhouse, Mr Jus-Mr Jusice Hollings, Mr Jus-tice Saville, Mr John Veeder QC, Mr Jonathan Hirst, Mr George Staple of Clifford Chance and Ms Sheila Simison of Clyde & Co will report in the New Year. It is looking particularly for suggestions to help the cost-effectiveness of pretrial directions as well as all the procedures and merits of the changes that have been made in the conduct of trials.

Following the Shearson Leh-man case Mr Staple together with Mr Justice Webster produced a note making sugges-tions for possible additions or amendments to the guide.

They suggest that in any complicated case a pre-trial hearing should be held in order to narrow the issues, consider the trial of preliminary issues and the use by the court of its power to order particular issues to be tried before others. Even if there is to be no sep-aration of the trial of issues, it

may then be sensible in some cases to freeze pleadings until after the preliminary trial.

Consideration should also be given to the more frequent use of the court's power to order particular issues to be considered at the start of the trial. If scheduling has not been agreed at a hearing of pre-trial direc-tions then it should be encouraged at the beginning of any potentially lengthy trial.

The court should also have

may be possible to make sched-

uling arrangements that would save costs and prevent unnec-

essary waste of time for every-

one involved, they say. The courts should be encouraged to exercise more vigorously the power to order a trial of the

preliminary issues. If it does, it

the power to require the par-ties to exchange, before witness statements are exchanged, lists of witnesses and the order in which it is intended to call

only be effective if lists of issues have been agreed or decided at an early stage, they say, so lists of issues should, wherever possible, be exchanged and agreed well before trial. They also recommend an amendment to the Yellow Guide to allow for suffi-cient time to be given for the proper preparation of written closing submissions after the evidence is completed. Submissions and speeches,

READERS may be interested to learn that such is the power of advertising that the slogan "No FT" has at last passed into the language of the criminal fraternity, according to a recently published dictionary of criminal and sexual slang, Raymond Hughes writes.

It denotes, "a reply by a sus-pect meaning no comment." Civil lawyers lead pretty sheltered lives compared with their criminal counterparts in the profession and, apart from the odd Latin tag, in general speak much the same language as their clients.

guage as their chems.

To broaden their education, and just in case they find themselves forced to supplement their earnings with the odd criminal brief, they might benefit from glancing through Lowspeak compiled by Mr James Morton, a life-long criminal solicitor and editor of the New Law Journal. Much of thus it qualifies as the perfect Christmas stocking filler for permanent display in the smallest room.

necessary elaboration which

offer the following: To bang a hanger is to steal a

A blister is a summons to

appear in court. Boosterdrawers are underwear worn by shoplifters in which

Chawry goods are stolen prop-

Dragging is stealing from motor vehicles. Fall money is cash set aside to

pay a lawyer in the event of

A granny is a legitimate business used to cover dishonesty.

It looks like rain means an

needs the active help of a solic-

iter in constructing it.

The rubber-healed mob is the police complaints bureau.

To be shonked is to have burgled a house and found nothing worth stealing.

Telephone numbers means an excessive fee required by a barrister to defend an accused.

Lowspeak by James Morton. Angus & Robertson. £3.99.

to put stolen goods.

arrest is imminent.

particularly closing submis-sions, should always be in writ-ing and so detailed that little additional oral argument is can more effectively be done orally than in writing.

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## Guide to brief encounters

LAWYERS looking to merge or sell their practices or acquire others, but who don't know how to go about it, may be interested in the launch this eek of a law firm dating ser-

The "louely sole practitioner of Cornwall with large general practice seeks likewise to share love of tax work with a view to possible merger" can now advertise in confidence through the Professional Prac-

The idea is the brainchild of the Tooke Consultancy and takes the form of a bi-monthly four-page bulletin of anony-mous entries from law firms and accountants. More detailed information about each practice, its circum-

obtained on request from PPI without the identities of the interested parties being revealed until they have given their consent in writing.
While unlikely to be of great

interest to larger firms, the service could prove a boon for smaller practices. Until now, according to Mr Michael Simmons of the Tooke Consul-tancy, they have found it diffi-cult to find a cost-effective way to assess in confidence the profiles of other law firms.

"Introduction agencies, for example, typically charge between three and five per cent of the smaller firm's turnover in the case of a merger and have a vested interest in seeing talks reach fruition," he says. Firms can participate in PPI either by advertising, which costs £125 plus VAT for which a firm gets 100 words to describe its requirements, or by taking an annual subscrip-tion - £300 plus VAT. To supplement a bulletin

entry, all advertisers have to complete a questionnaire designed to provide a structured summary of the practice. Questions range from the number of equity partners to the firm's total fee income for the previous year. The first bulletin contains 13 entries from accountancy firms and 14

from law firms.
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## Landmarks in landscaping

s exhibition of British achievement in the field of landscape architecture and Although the show at the Royal Institate of British Architects Heinz Gallery (21, Portman Square, London, W.L. until December 18) is only the tip of the iceberg, it is a good introduc-tion to a subject that one day must surely receive the thorough scholarly treatment it so richly deserves. The exhibition is drawn exclusively

from the RIBA collection, and so there are inevitable gaps which pre-vent it being seen as a detailed history of garden or landscape design. There is only one drawing, for example, by Capability Brown and it is far from certain which of his land-

scapes it represents.

And there is nothing by William Kent. The exhibition has been selected by the garden writer Jane Brown and it is probably best seen as a supplement to her book (The Art and Architecture of English Gardens, Weidenfeld and Micolson) already reviewed in these pages.
As an collection of raw material

about the design of gardens, it is comacour the design of gardens, it is com-pletely fascinating.

It begins with early survey draw-ings Robert Smythson made on a visit to London in 1609 that give us an insight into Tudor gardens.

Lord Bedford's garden in Twickenham and the garden of Wimbledon House are shown, with Smythson's own design for an orchard to be planted at Wollston Hall To see the design for the cascade made by William Talman for Dyrham

Park, Gloucestershire makes thoughts of its reconstruction tempting in And the original design by William Chambers for the pagoda at Kew is

What happened to all the dragons that perch so degantly on every roof stage? The influence of the Orient is scarcely touched upon but it is a pleasure to see Thomas Daniell's designs for the Indian elements in the gardens at Samcote.

I wanted to know a great deal more about each individual garden and the delight felt when looking at these drawings is tempered by the lack of an adequate catalogue and poor captions. It has to be seen as a highly enjoyable mixed bag of fine things. Do not expect analysis or detail. It is a relief that Queen Victoria put

her foot down over Prince Albert's proposed Architectural Garden for The Mall shown bere in designs by William Nesfield. The Queen wisely said that she preferred the trees in St.James's Park to the arid arrangement of sculpture and urns that Nes-field proposed. The RIBA collection is particularly

rich in drawings by architects of the Arts and Crafts Movement. The turn of the century is clearly a favourite period of Jane Brown, and she has selected a memorable flower drawing by Philip Webb that reveals something of the sensitivity to nature that motivated so many designs.

Lutyens's atmospheric sketches for
Munstead Wood — the house he
designed for Gertrude Jekyll — are in marked contrast to the classical geometry of his later garden plans. Perhaps the king of the exhibition is

His designs were so seductively and yet precisely drawn that he was widely published during his lifetime · (1864 - 1915). They are superb designs for houses like Tirley Garth in Cheshire — even its name conjures up Edwardian after-

noons, the creak of the wicker chairs

and the sound of the croquet on smooth lawns. There are plenty of 20th century drawings - the tradition continues

with only a brief break for the modern movement.
Just a blip of abstraction. The great

figure of our times remains Sir Geoffrey Jellicoe. He was born in 1900 and long may be thrive. The exhibition offers a rare opportunity to see his designs for the Moody Botanic Gardens at Galveston, Texas.

This is a huge garden, still under construction and designed to illustrate the history of gardens "from the beginning to the 19th century." The Moody Garden may be one of the won-ders of the world — take this opportunity to see the extraordinary designs.

I recently wrote about the ambitions plans the National Portrait Gallery had prepared for its proposed expan-sion in Orange Street on the site of three buildings given by the Govern-

Those plans for an entirely new

building, drawn up by the architects Stanton and Williams, have had to be shelved through lack of funds. d the Gallery announced last week that they are launching a £16m appeal to convert the existing buildings on Orange Street into a library and research centre, and adapt a considerable portion of the existing ground floor and basement of the National Portrait Gallery buildings to extend the available exhibition space. The gains from this scheme are con-siderable. Some 37 per cent more exhibition space is realised by utilising several grand spaces and corridors that are currently offices and stores. Around the statue of Henry Irving at the Trafalgar Square end of Charing Cross Road, the gallery plans a new

Craig is more deadpan - even

when informing a rubbish bag

about the sell-out of Jane Sey-

mour, or when clutching at the ruched velvet backing curtain

in the passions of underfund-

ing.

The clever thing about his performance is the awareness that one is watching an actor

being an actor rather than a

stand-up comic pretending to

be one: the parody is powered by precisely the kind of self-

awareness that he is sending

up, giving a dimension to the

stage version that does not

Planer shares with Mel Smith and Griff Rhys Jones a

knack with deadpan humour.

He also shares a noticeably

overhung lower mandible

which leaves his mouth hang-

ing limply in a downward curve of disconsolate contem-

plation. But, unlike them,

there is nothing strikingly old or funny about his appearance.

He is also a skilled impressionist, subtler than the structure

of this piece would lead one to

As the great Nicholas Craig himself has said, in acting

everything has to come down

tures . . . even underpants if

Browning ceremony

Sir Stephen Spender will

delivery a eulogy of Robert Browning (1812-1889), and Demis Quilley will read from Browning's work at 5 pm on Tuesday, December 12, beside the need's tomb at Poets' Con-

the poet's tomb at Poets' Cor-

ner in Wesminster Abbey, com-

memorating the centenary of Browning's death. Tickets from

Hon Sec. Browning Society, S Larkenheath, Southgate, Lon-

Gaveau (45632030). Orchestre de Paris conducted by Carlo Maria Giulini, with Jard van Nes and Keith Lewis, Haydn, Mahler (Wed, Thur) Salle Pleyel

Orchestre National de France conducted by Valery Gergiev, with DimitriAlexeev (piano). Prokofiev, Shostakovich, Scria-

bin (Thur). Théâtre des Champs

Elysées (47203637).

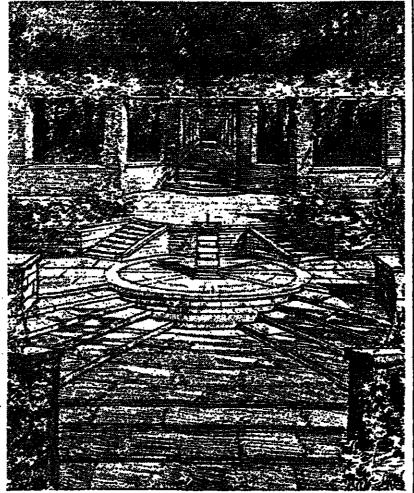
don, N14 4RJ.

it's a Dennis Potter.

voice, make-up, ges-

Claire Armitstead

exist in the written word.



A landscape sketch from the RIBA collection

piazza to serve a main entrance. It is a sensitive and practical scheme that clearly deserves support. The decision not to go for an expen-sive new building is understandable and this low key approach does utilise

the existing fabric in an extremely It could be a model for many older museums with poorly utilised space.

Colin Amery

## Lady Betty

ALMENDA THEATRE

lovely new show from Cheek by Jowl, was the hangwoman of Roscommon Gaol who unwittingly murdered her own son and saved her own neck by breaking those of her fellow

Sir Whizen Wilde, Oscar's father, mentioned her as "the unflinching priestess of the executive for the Connaught circuit" but she operated chiefly in Roscommon, probably, we are told, between 1780 and 1810.

Intector Decian Donnellan, writing his first play, compiles around these facts a flinty, poetle drama of ghosts and visions, songs and tirades, Irish jig competitions and political tension between the rank Irish and the English arising

Theatre Fuents Oversma Don-dance noisily and resentfully nellan directed earlier this on the spot for ever and a day. real ambiguity here in the relationship between Betty and the ruling class, more sense of the supernatural, as belifs the sub-ject. And the subject is subject to the sexual whim of a nobleman, whose son she sires.

Narrative links are con-densed in song and terse dia-logue, se-that concentration is fierce on the crucial flash-points in the stray. Belly is soon a hovel dweller waylaying the traveller, her son, at the behest of three figures of

Night, Cold and Silence.
The terrifying Dawn is represented by a bare-breasted, radiently lit songstress wielding a sword, while the act of mander is one of comfort and asserance in charitable arms instead of an interval, the show has a vandevillian intro-duction to the sights of Roscommon Gaol conducted by the turnkey O'Leary, played by

Lady Betty, the subject of this Ray McBride, the world champion Irish step dancer. The spe-cial Roscommon drop, a plat-form flap on the third storey ispointed out, while Betty and a political activist, Michael Flynn (Gerard O'Hare), are measured for neck size and weight by the hangman who then does a bunk.

The one slightly over-skimped aspect of the story is the transition achieved by Betty between a survivor prepered to pull the bolt and a mythical dispenser of justice who has hanged a people's Sally Dexter achieves the eli-

stant bearer achieves no en-stan in her performance, how-ever, adopting the guise of an elevated peasant grotesquely made up to receive her whip-voting boys, clutching them in the same foetal embrace in In some ways, it is a com- which she held has son victim, panion place to the National and ordering her community to and ordering her community to dence noisily and resentfully indelible image is of an abused community being kept under the thumb for as long as they dance and blow pipes, but Miss Dexter leads them longingly and voluptuously by the

> Donnellan has reassembled the Fuente Ovejuna production team - his regular designer, Nick Ormerod, the choreographer Jane Gibson and the composer Paddy Cunneen.
> Their work, and that of the versatile small company, is of the highest class. There is nothing sentimental or Oirish

in addition to the witch-like animalism of Miss Dexter, one notes the the chiselled upper crustiness of Tim McMullan and the shivering, admonitory chostliness of Catherine White, Lawrence Evans and Phil

Michael Coveney

McKee, A rare treat.

## I, An Actor

HAMPSTEAD THEATRE

With a curriculum vitae that sprawls from the anarchic comedy of the Young Ones to Dennis Potter's Blackeyes, via several years' entanglement with Evita, Nigel Planer has almost as much to boast about as Nicholas Craig, his fictional alter ego and autobiographer of the facetiously timely tome I, An Actor. After the book and the radio

adaptation, the stage version has a guaranteed following among London's stage set whose faults - mockable as they are - do not include the inability to laugh at them-Mercilessly, Planer jabs at

their nearest and dearest pretensions in a cut-and-pastiche performance which slices through the divine and human slike, coming to rest in the final minutes of his first-night performance on an unfortunate young man called Russell. He at least could thank the gods he was not dragged up on

stage and forced to recite his Equity number with due attention to the diaphragm. This is comedy for those who know about the agonies, the ecstacies and the breathing exercises - although the current vogue for the theatrical memoir in the Simon Callow vein of intense and moody introspection has ensured that

such knowledge is not the sole

preserve of the actor.

Planer's paredy is close-tex-tured and clotted with references - to remaindered books by well-known Indiaphiles, and to those well-known bastions of 1970s fringe, Meaningful Experience and Shared Dressing-room; to obscure Eastern European allegories about dogs and to even obscurer late-Jaco-

There are traces of Patrick Barlow's Desmond Olivier Dingle about the grandiose postur-ing of Nicholas Craig, only

## SADLER'S WELLS

Kim Brandstrup, Danish bern, London Contemporary trained has been making dances for the past six years or so. His chief platform has been his Arc Dance Company, and these columns have reported

he has shown. London Contemporary Dance Theatre lately commis-sioned a piece from him, and as part of a second programme at the Wells last week, Brandstrup's Orfeo was on view. This is a rarity in our muddled local dance world, a work

which has a strong and com-

with pleasure on much of what

pelling vision. Like Cocteau, Brandstrup has rethought certain aspects of the myth - Apollo intervenes when Death reclaims Eurydice and, after a struggle, gives Orpheus back his bride - and like Cocteau (though the connection need not be stressed) he has transposed the estimated he has transposed the action.

This Orfeo refers constantly to the manner of Baroque thea-tre. Characters, in Craig Givens' austere and magnificent design, wear period dress, and are placed against a long balus-trade, with the only other stage accessory a pedestal for the divinities, Apollo and

A no-coloured sky is suggested by cut-out gauzes; a front-stage scrim distances us slightly, though never obtrusively, from the drama.

Movement delights by com-

bining steps, attitudes (even shoes) borrowed from Baroque dance with the free manner of contemporary style, and it is to Brandstrup's immense credit that there is no disjunction between two such disparate

languages.
Indeed, the strength and dramatic power of modern dance fire classical positions with an energy that, I believe, was to be seen in the greatest dancers of the 18th century.

The score is imaginatively ant - each element in the piece seems to have been conceived Diaghilev fashion, by a single guiding intelligence.

Also, Ian Dearden's synthesised harpsichord writing, plangent or madly rushing in cascades of notes, is exactly attuned to the kind of time-travel that makes Brandstrup's concept so thrilling to watch, so beautiful, and so moving.

His cast are very fine. Tra-cey Fitzgerald as Eurydice plays with a delicate gravity that touches the sublime in the moment of her death, as her body falls, folding in upon David Hughes' Orpheus is

simple, passionate, direct.
Apollo (Jonathan Lunn) is a commanding figure in white, moving with a dignity worthy of that prince of the early 18th century dance, Le Grand Kenneth Tharp is Death as

the predator, stalking the action, stretched out on the balustrade like a tiger watching its prey: this exceptional artist has never been better. Kate Covne as Eurydice's confidante moves with distinction, and both women wear exquisite dresses with complete authority. The narrative is succinct, aphoristic, marvellously true.

Gluck would surely have understood this *Orfeo*: I think it a small and perfect work of art. It must be seen. It must -Channel 4 please note - be This LCDT programme also

included Jonathan Lunn's recent Goes Without Saying, an exercise in gesture as dance language; and Dan Wagoner's To Comfort Ghosts, whose cast spent a lot of time losing their tempers while Shostakovich's fifteenth string quartet was excellently performed. Clement Crisp

# conducted by William Yarbor-ough. Bacb programme (Mon). Kennedy Center Terrace Theater Chamber Music Sectety of Lin-coln Center directed by Fred

December 1-7

01 00). Stutigart Chamber Orchestra conducted by Martin Sieghart. Vivaldi, Mendelssohn, Tchaikov-sky (Thur). Auditorio Nacionalde Musica (337 01 00).

Tokyo String Quartet. Mozart, Ravel, Beethoven (Mon). Palacio de la Musica Catalana (301 11

Usrael Philharmonic Orchestra conducted by Zubin Melna, with Gila Beshari (contralto), Kopyt-man, Ravel, Dvorak (Wed), Pala-

Yefim Bronfman (piano). Haydn, Schumann, Chopin and Brahms (Wed). Teatro Olimpico (393304).

Maurizio Pollini piano recital. Johnson, Mendelssohn, Dohnanyi (Thur). Merkin Hall (362 8719). Washington

coin Center directed by Fred Sherry, Bach, Mozart, Takemitsu, Mendelssohn (Wed). Kennedy Center Concert Hall (467 4600). National Symphony Orchestra conducted by Gary Bertini with Rudolf Buchbinder (piano). Bee-thousen Mabler Barrok (The thoven, Mahler, Bartok (Tue, Thur). Kennedy Center Concert Hall (467 4600).

Chicago

Chicago Symphony Orchestra conducted by Gennady Rozhdest-vensky. Shostakovich pro-gramme (Tue); and conducted by Leonard Slatkin with Elmar Oliveira (violin). Erb. Barber. Haydn, Ginastera (Thur). Orchestra Hall (435 6666).

Tokyo

Deutsche Bach Ensemble con-ducted by Wolfgang Gönnen-wein. Handel's Messiah (sung in German) (Mon); Mozart Requiem (Wed). Suntory Hall (505 1010).

Leipzig Gewandhaus Orchestra conducted by Kurt Masur. Bee-thoven. Suntory Hall (Tues) (505 Berlin String Quartet with

Kazuko Nagatomi (piano). Moz-art Schumann, Komei Abe. Tokyo Bunka Kaikan, recital hall (Wed) (293 7550). NHK Symphony Orchestra conducted by Hiroshi Wakasugi, with Anne Fournet (soprano). Honneger: Jeanne d'Arc au Bucher. NHK Hall (Thur) (465

#### SPONSORSHIP

## Thanksgiving Day

the arts sponsorship calendar. Everyone involved in the business - arts administrators, sponsors, consultancies, even a few artists, will gather at the National Theatre for the Association for Business Sponsorship of the Arts annual prize giving, where the Princess of Wales will hand out especially commissioned artifacts to the sponsors judged to have contributed most over the past frantic 12 months.

Inevitably the same old names will appear. BP is well placed to shake the royal hand, thanks to its comprehensive programme covering youth, education, and splashy events like the Warhol at the Hayward and the re-hang at the Tate Over the years BP, which annually spends around £1m. on the arts, has whittled down its spread from 70 sponsorships to 15, and in future will con-centrate its resources behind six major events a year.
IBM could also claim another award, because the

judges like grand occasions and the company's support for Havward was certainly that Lloyds Bank won last year, for its mammoth Age of Chivalry sponsorship, but could just possibly be back among the prizes for its Young Theatre Challenge, to which it has recently added the £250,000 Lloyds Fashion Challenge, encouraging schools to join in a design competition in that latest, nicely commercial, art form, fashion.

BMW is also a contender, having shown other car companies the way by switching some of its promotional budget from over-indulged sports sponsorship (with its £500m honeypot) into the arts (£30m in 1989), notably the "Towards Bach" festival on London's South Bank, Another recent convert to the arts, Scottish & Newcastle, has won acclaim for its scheme which took the work of Scottish artists (and Newcastle Brown Ale) to the Soviet Union.

Community arts has received extra attention in the past year and Marks & Spen-cer, traditionally a discreet supporter of the arts, might get a welcome prize for its programme in Northern Ireland, lesigned to bring the communities together at the grass roots arts level. There has been more media

sponsorship in 1989 (the ABSA Awards are financed by The Daily Telegraph) and The Independent could receive an award for its imaginative scheme to cajole its readers into contributing the £100,000 needed for Covent Garden to commission a series of new chamber operas. It also supported the major photography show at the RA, where the FT is doing its bit by promoting an exhibition of the designs of Inigo Jones later this month. Although there have been many intriguing arts sponsorships by new, small, oddball companies they have not been so dynamic in submitting

applications. Triangle Restau-rant in Glasgow, for example, might have been rewarded for its backing of Peter Brook's Carmen in Glasgow if it had bothered to enter. In the event another Scottish contender, the law firm McGrigor Donald. could win a prize for its competition for young sculptors. Our major museums and art.

galleries are queuing up like Oliver Twist to launch appeals for the vast sums of money needed to ensure that they do not come tumbling down on top of their treasures - and companies are key targets. This year the Imperial War

Museum successfully com-pleted the first stage of its redevelopment programme, and last week the Sir John Soane in Lincoln's Inn Field was a speedy beneficiary of the Government's apparent desire to shore up museums, receiving £1m from MEPC, the property developers, and the same from the Minister for the Arts, Richard Luce, thus nearing its £2.5m target in six months.

The Natural History

towards the £5m it needs to modernise its galleries. Piedges stand at £3m, thanks to £1m from BP and £500,000 from Gerald Ronson. Shell have put up £100,000; Robert Maxwell, £100,000, and the Clore Foundation £200,000.

Now it is the turn of the National Portrait Gallery. On Wednesday Mrs Thatcher gave her support at a very select lunch, urging known benefac-tors of the arts, either through their own purses or through their charitable trusts, to match the £5.5m the Government is giving the NPG in cash and kind. The likes of Lord Wolfson and Mr Gerald Ronson were predictably there. The lunch seems to have

worked and £400,000 has been raised in two days, with the Wolfson Foundation leading the way. The NPG is seeking the money to move its adminis-trative functions and library across the road to Orange Street, opening up its full space for galleries. The 20th century collection will be the main beneficiary, but, if the appeal succeeds, more of the 75 per cent of the collection not on view will be opened.

Other museums are concentrating on particular areas of their work: the V & A, for example, is currently seeking sponsors to complete its ambitious plans for an Indian Gal-lery. Also on the funding trail is the Ashmolean in Oxford which needs at least £3m to stay in good shape.

Tomorrow the museums hold their own awards cere-mony, sponsored by Shell, at the National Gallery, a climax to 1989's Museums Year. The Duchess of York will present prizes to the Museum of the Year: the Museum Professional of the Year, and the Community Museum of the Year.

Tomorrow night the annual (well almost annual) visit of the Welsh National Opera to London opens at the Dominion. with a new production of Weber's Der Freischutz. It is ten years since the WNO started to appear regularly in London, thanks to Amoco, which finances the trip. Over the decade the oil company has invested over \$1m in the exercise, which must be one of the longest established arts spon-sorships.

The relationship has lasted so long because Amoco is clear headed about what it wants from the link. It provides it with excellent opportunities for entertaining in London, (over 250 guests will experience night at the opera) while, in the American corporate fashion, also enabling Amoco to be public spirited in the neigh-bourhood of its factory – it has a refinery at Milford

The fact that Amoco is trying to sell the refinery should not disturb WNO too much it now gets financed by the Exploration and Production wing of the company rather than the refining end. WNO has also been helped with new productions; bursaries for young singers; and recordings. Obviously a London show case is excellent for its reputation. There is only one reason for the bond to be broken – a slump in the oil price. Amoco has a bad year in 1986 and there was no visit to London for the WNO in 1987. At the moment the 1990 trip is on. Hermes, which means haute

couture in French, is sponsoring a work by a young com-poser at the Royal Academy of Music. It is taking the winner to see its leather factory in Paris; its silk worms in Lille; its crystal making in Strasbourg. It is then leaving him alone to compose. The result might reek of elegance: but only might. Parker Pen is sponsoring the

Philharmonia, to the tune of £170,000, on a tour of the US next month, perhaps because Puccini wrote Madama Butterfly with a Parker Pen and the orchestra's recent recording of the opera is a hit LP. **Antony Thorncroft** 

## **SALEROOM**

#### Sotheby's regains stolen horse Good news for Sotheby's. at the forefront of the fight to

Police in Hong Kong have recovered the Tang Horse stolen from a warehouse there a few weeks ago before it could be sold as the prize lot from the Chinese works of art in the British Rail Pension Fund collection. The horse carried an estimate of up to fim. It should now be auctioned off on schedule in London next week, And more good news: Sotheby's week end sales in Monaco were a great success, the highspot being the price of

£9.9m. paid for a view of the Giudecca Canal in Venice by Guardi. It was a record for the 18th

century Venetian artist. The picture came from the collec-tion of Martine, Contesse pe Behague, which totalled £17.9m (FF170m), a record for an Old Master auction in Monaco. Mrs Barbara Johnson, the Polish born American heiress

save the Gdansk shipyard, paid £3.7m. and then £3.25m. for two drapery figures on linen by Leonardo. They will go on show with other masterpieces of religious art from Mrs Johnson's collection in a world tour starting in Warsaw next year. A pen and ink drawing by Rembrandt, "Three women at the entrance to a house", sold

for £325,786, at the bottom of Unfortunately a sketch book with 95 drawings by Hubert Robert from an Italian tour of the 1760's was split into 68 lots

when no purchaser could be found for the book. Meanwhile in Monaco Christie's was having problems with its Old Masters, almost half the auction bing unsold. There was one exceptional price, the £1.5m. paid for "Jupiter et The-

**Antony Thorncroft** 

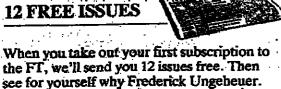
tis" by Ingres.

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## **ARTS GUIDE**

London

The Chamber Orchestra of Burope, conducted by Clandio Abbado, with Maria Ewing (soprano/narrator). Rossini, Bee-thoven, Prokofiev, and Haydn. (Mon) Barbican Centre (638 8891). The Philip Ledger, with Igor Ois-trakh (violin). Beethoven. (Thurs) Barbican Centre (638 8891). The Chamber Orchestra of

**Paris** 

Simon Estes recital (Mon). Salle Gaveau (45632030). Ensemble Intercontemporate conducted by Maricio Kagel with Lyons National Orchestra Choir. Mauricio Kagel (Mon). Opéra Comique (42960511). Ensemble Orchestral de Paris — Kammerensemble de Paris conducted by Jean-Claude Bou-veresse. Mozart, Holst, Richard Strauss, Tchaikovsky (Tue). Salle

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Paul Torteller and Nikita Magaloff. Beethoven, Rachmaninov, Bach and Chopin (Wed). Conservatorio G. Verdi (76001755).

Belgian National Orchestra conducted by Ronald Zollman, with Maria Joaca Pires (plano). Beethoven, Berlioz and Ledoux. Palais des Beaux-Arts (Thur).

Brussels

Schubert, Liszt (Wed). Alte Oper. Maurice Andre (trumpet) and Hedwig Bilgram (organ). Bach,

Bodin de Boismortier, Buonaven-tura Viviani and Albinoni (Thur). Madrid

Tokyo String Quartet. Mozart, Schubert, Beethoven (Tue). Audi-torio Nacional de Musica (337

Boyal Concertgebouw Orchestra with massed choirs and vocalists, conducted by Charles Dutoit. Messiaen, Ravel (Thur) (718 345).

cio de la Musica Catalana (301 New York

New York Philharmonic con-ducted by Giuseppe Sinopoli. Bruno Cerchio, Ravel, Mussorg-

sky-Ravel (Tue); and with Gil Shaham (violin). Mussorgsky. Paganini, Schumann (Thur). Avery Fisher Hall (874 6770). Armenian Philbarmonic conducted by Loris Tjeknavorian with Andre Watts (plano). Khachaturian, Rachmaninov, Shostakovich (Thur). Carnegie Hall (247 7800). New York Philomusica Chamber

emble directed by Robert

American Chamber Orchestra

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Monday December 4 1989

## A useful exercise

THE ATROCIOUS weather and consequent disorganisation apart, the US-Soviet summit in Malta did live up to expectations. Presidents George Bush and Mikhail Gorbachev had done their best ahead of the meeting to dampen speculation that they would reach any detailed agreements. To the disappointment of many observers who were hoping, above all for some major breakthrough in arms control negotiations, they remained true to their word.

That does not mean, how-ever, that the whole exercise was a waste of time. On the contrary, it was certainly desirable that the leaders of the two most powerful nations of the world should meet at a time of momentous and unpredictable change in Europe, particularly since this was their first direct contact since President Bush's election. Yesterday's startling developments in East Germany and Czechoslovakia were nec-essary reminders of the impor-

tance of superpower dialogue.
The most positive result was that the two Presidents agreed that international problems on which they differ must be settled by peaceful means and on the basis of self-determination. It was clear from their statements that they disagree on a number of important subjects, ranging from the future of Germany, to Central America and naval arms control. But both gave the impression that they would always try to resolve problems through discussion.

#### German question

Though the question of German reunification looked as if it might sour the atmosphere, it appears that a head-on clash was avoided. The tough Soviet stand adopted during Mr Gorbachev's visit to Italy - that the realities of two German states, the post-war frontiers endorsed by the 1975 Helsinki agreement and the existence of Nato and the Warsaw Pact had to be accepted by everyone - no doubt remains fundamentally

But it appeared to be toned down somewhat in Malta. Instead of flatly ruling out any changes of the intra-German border, even in the long ran, Mr Gorbachev is now talking about the inadvisability of any "artificial acceleration" of changes in Europe, But he does accept that "history must decide this (the German) question." Since the US also believes that German reunifi cation, if such a solution indeed is the choice of the German people, must necessarily be a long-term process, some rapprochement on the subject may have occurred.
The largest measure of

agreement was reached, albeit in very broad terms, on arms control and economic issues. The foreign ministers of the two countries, who will be meeting in January, have been given a clear political mandate speed up the strategic nuclear arms negotiations, which have been languishing for the past few months, while the conventional arms talks have made good progress. It was also agreed to complete two nuclear explosions and test ban treaties in time for the next full summit next summer, while President Bush has made an important offer to end production of binary chemical weapons once an international agreement banning the use of chemical arms enters into

#### Trade agreements In the economic sphere, the

US has made a number of ges-tures to help the Soviet Union overcome its critical economic problems, though they almost certainly fall short of the firm undertakings that Moscow was seeking. Thus, President Bush has proposed that the two governments begin negotiations on a trade agreement which would lead to the granting of most favoured nation status to the Soviet Union once Moscow has implemented its new emigration law. The US has also held out a promise to lift present restrictions on export credits to the Soviet Union and to negotiate a mutual investment guarantee deal. Significantly, no mention was made immedi ately after the meeting of any relaxation of the Cocom regulations which restrict the transfer of sensitive western tech-nology to the Soviet Union. In all respects, therefore, the

Malta summit must be regarded as an interim meeting, which enabled the two superpower leaders to measure each other up, but which did no more than to lay the groundwork for more serious

## **Defences against** hacking

decided against legislation to outlaw "hacking" - unauthorised entry to computer systems - in this session of parliament on the grounds that there are more pressing matters to be dealt with and that the threat hackers present to the nation's computer systems can safely

be put aside for the time being. The only hope now of parliamentary action against hackers in the near future is a Private Member's Bill. Until then, the UK will remain virtually the only developed country without laws against hacking. Ms Emma Nicholson, the Conservative MP whose own

bill was withdrawn in the summer after Mr Douglas Hurd. the then Home Secretary, agreed to order the Law Commission to draw up recommendations to deal with the issue, is acting as the focus for an impressive anti-hacking lobby of industrialists, academics and MPs. It supports the broad conclusions of the commission which reported this October.

#### Five years' jail

The commission argued that legislation to outlaw backing is necessary, and that there should be three levels of offence, to cover everything from hacking for fun to delibcrate attempts to defraud or destroy. The most serious offences would carry a maximum five-year jail sentence. Mr Nicholas Ridley, Secretary of State for Trade and Industry, endorsed the commission's report on publication but

has taken no action since. Is there any real need or urgency for legislation? Special laws are no defence against backing, after all, and experts are ambivalent about their effectiveness. Furthermore, existing law prescribes adequate remedies against the majority of hacking excesses including theft, fraud and malicious damage. The Data Protection Act of 1984 defines penalties for owners of computer systems who fail to protect them adequately against the

There are two principal reasons for anti-hacking legislation. First, ignorance and apathy about the extent to which public and private life is dependent on computer systems -

as well as the nature of hack-ing and its consequences — are so widespread that the passing of new laws would serve to raise consciousness of the issue: it would create an atmosphere of awareness in which better defences and remedies could be developed.

International activity Second, the growth of networked systems means that computing is an international activity and computer crime an international threat. It makes sense for the UK to bring its legislation into line with that of other countries which have

the threat. Computer hacking includes gaining entry to a system simply to browse through some body else's records. Some might see this as an innocent enough activity, but those companies whose files have been rified through for fun by teenage computer fanatic take teenage computer fanatics take

a different view.

A further risk is presented trespassers who meddle with complex systems. It is currently all but impossible to guarantee that a large com-puter program will not behave in an unexpected way even when professionally pro-grammed, given the number of possible permutations and combinations. Systems damaged by hackers could become alarmingly unpredictable.

sure against computer abuse, and computer manufacturers must be encouraged to take a more active role. The password is the most commonly used form of defence against unau-thorised access at present but it is notoriously flawed. Passwords are forgotten, scrawled on the side of terminals, easy to guess. Identification of unique personal characteristics such as voice offers a better solution. The best speech recognition systems now offer a 99 per cent success rate in recognising individual voices. Manufacturers should be encouraged to tune these and other biomet-ric methods to a high level of efficiency. No system can ever be completely secure, but tough technological barriers are preferable to laws which are difficult to enforce.

consensus is building strength in the oil industry that the 1990s will be good for business - that demand for crude oil will grow strongly and prices will follow.

This is an sharp change from the pessimism prevalent even a year ago, when a production war among members of the Organisation of Petroleum Exporting Countries drove prices in real terms to the lows of 1986. The real terms to the lows of 1986. The international oil industry was battening down the hatches for a long period of Opec indiscipline, stagnant demand, low prices, and weak profits in oil exploration and groduction. And Mr John Jennings, group managing director for the Royal Dutch/Shell Group, was predicting that oil prices were unlikely to rise much, even in nominal terms, before the latter half of the 1990s. of the 1990s.

Now Mr Robert Horton, chairman-designate of British Petroleum, sunmarises the emerging consensus: it is a "racing certainty" prices will rise earlier, he says. "I fully expect there to be a squeeze in the mid-1990s and I expect the real price of oil to increase

as a result.' The question, therefore, is whether this optimism is warranted. The oil industry has a long history of extrapolating mistakenly from short term trends, only to land itself in serious trouble a few years later.

In this instance, the short term trends are certainly impressive. The revival of demand for crude oil last year and this has startled even conyear and this has startled even con-genital pessimists among oil analysts. They have reluctantly lifted their forecasts, foreseeing continued tight-ness of the market and firm prices even though they expect Opec produc-tion to rise steadily.

Demand in the developed economies this year is projected by the International Energy Agency to increase by over 1 per cent compared with 1988. The rapid growth in developing country demand, at over 4 per cent a year, is pushing total world consumption for 1989 up by a million barrels a day, an estimated 2 per cent for the whole year. This follows a 3.2 per cent rise last year.

Is this a sustainable trend, the

Is this a sustainable trend, the result of four years of low oil prices? Or is it an aberration, with the oil market set to go into a tailspin next year in the face of slower world economic growth and a recovery of non-Opec supplies?

The wisdom distilled from the 20year tumultuous cycle of oil prices is simple: high prices stimulate produc-tion and energy conservation, while low prices boost consumption and discourage production.

Too simple. The patterns of both

mption and production depend on changes in industry's capital stock. Long lead times for investment, and the way in which the oil industry adds to capacity in uneven stages, produce long, unpredictable cycles. Cutting across these are changes in technology and the dwindling number

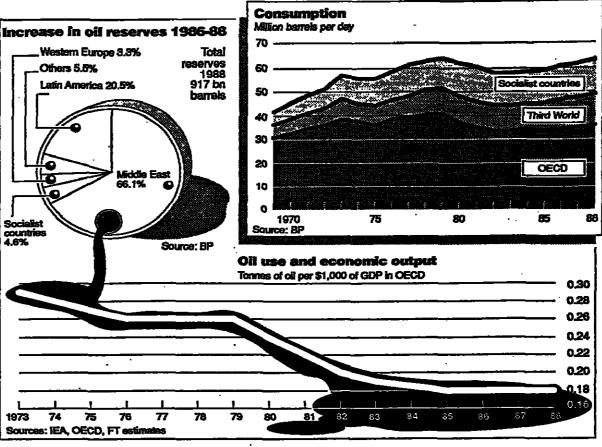
of unexplored regions of the world.

Before the big oil price rises of the
1970s, the industry believed that oil
consumption would rise more or less in step with economic growth. From 1979, however, total oil consumption and the amount of oil consumed per unit of GDP began dropping through-out the developed countries. Growth in energy use, it was thought, had been "decoupled" from economic growth.

With hindsight, this was an oversimplification. The big change in the relationship between energy use and GDP came during the most severe GDP came during the most severe recession since the Great Depression. Inefficient equipment was hastily scrapped. The changes induced by the recession exaggerated the economic response to high oil prices. And when the economy recovered, so did oil consumption. It resumed growth in 1984, two years before the 1986 colleges in two years before the 1986 collapse in

Throughout the period, however,

## Steven Butler examines whether the mood of optimism in the oil industry is justified



## A wager against self-interest

impervious both to the recession and high prices, developing country energy demand continued to rise. Third World consumers turned from traditional fuels (such as firewood) to commercial fuels; some countries underwent rapid industrialisation; and there were particularly rapid increases in consumption by oil prod-

The collapse in prices in 1986 was not, therefore, mainly a response to reduced consumption. Instead, it was brought about by the sharp rise in production outside the Opec countries. New output came in particular

Demand for crude oil last year and this has startled even congenital bears among oil analysts

from three, big new producing areas - Mexico, Alaska, and the North Sea. The timing of all three was in part a historical accident. Although development of these areas was hurried along by the 1970s increase in oil prices, all three areas were discovered before prices soared and would have been exploited anyway.

in short, both supply and demand during the early 1980s were affected by factors other than the price of energy. Though high oil prices during the period almost certainly led to higher efficiency, the "decoupling" of oil from economic growth has become much less marked since then. In the past three years, with plenty

of cheap oil to burn, economic growth has been restored in the developed countries. There has been an surge of capital investment, causing rising output from machinery manufactur-ers, traditionally big consumers of energy. Oil consumption has started to rise again.

While the energy consumed per unit of GDP has continued to fall thanks to new, more efficient equip-ment, a shift towards services and away from manufacturing, and a move towards low-energy-consuming goods like microchips - the reductions have been small.

As developed countries have exported their polluting, metal bashing industries to the developing couning industries to the developing con-tries, particularly those along the Pacific rim, oil consumption there is rising rapidly. About 60 per cent of the increase in world oil consumption this year is expected to come from outside the OECD.

Last year oil consumption rose by 20 per cent in Korea and 21 per cent in Taiwan. Economists believe that these increases in demand are not particularly sensitive to the price of oil, and are therefore only likely to be halted by a severe worldwide recession. As developing countries absorb a larger share of the world's oil, energy saving in OECD countries

becomes less important.

Meanwhile, oil companies have cut back sharply on capital spending. They get more for their exploration and investment dollars than they used to because of better technology and overcapacity in the ollfield services industry. None the less, current

activity can only sustain today's level of output outside Opec for a few years. After that, a slow decline appears inevitable unless another North Sea or Alaska is discovered.

Oilmen have little hope of this, for reasons governed not by by economics but by geology. Much oil remains to be discovered and developed profitably even at today's prices. But geologists believe the earth's oil basins no longer conceal an enormous potential discovers that could remain draw. discovery that could rapidly and dras-tically alter the overall pattern of sup-

Only the Opec countries contain

The biggest uncertainty of all will undoubtedly continue to be the behaviour of Opec

plenty of potential extra capacity from which oil could quickly and cheaply be produced. Opec's members are currently producing about 23.5m b/d, compared to a capacity estimated at between 26m b/d and 27m b/d. Whether or not Opec, after its meeting last week in Vienna, succeeds in averting a price fall in the New Year will have little impact on the medi-um-term picture. Over this period, Opec production is likely to edge closer to capacity to meet the steady rise in demand. This implies a marked tightening of the market in three to

four years, if not sooner.

Industry optimism is based principally on growing confidence that the

recent growth in oil demand is not a fluke, but part of a fundamental trend that will not be easily disrupted. If anything, the principal uncertainties appear to raise the risk that the mar-ket will tighten further.

• Developments in the Warsaw pact o Developments in the warsaw pact nations, for example, could drain oil from world supply, possibly as early as next year. Net exports from these nations plus China in 1988 came to 2.2m b/d. Soviet production and exports both fell in the third quarter, and some oil companies are now expecting a further 300,009 to 500,000 b/d fell in exports next year. This bld fall in exports next year. This could more than compensate for the expected increase in North Sea production (which is is itself uncertain). Environmental concerns could also Environmental concerns could also have a big impact on oil consumption. In the short run this is likely to increase consumption, because rising fuel standards and tighter emission controls generally reduce fuel efficiency. Should the world's governments eventually become aerious about controlling carbon dioxide emissions to forestall global warming, oil consumption could be reduced. But oil is a much less serious offender than coal, which is therefore a more likely target for action. And even if the developed countries do take the developed countries do take action to cut oil consumption; developing countries, which will provide the biggest source of extra demand, are unlikely to sacrifice their economic agreeations.

nomic aspirations.

The higgest uncertainty will continue to be the behaviour of Opec, particularly the hig five Gulf producers which between them have over 60 per cent of world proved reserves. They have an obvious incentive to prevent another price collapse. Yet Opec also has an incentive to prevent repetition of the sort of price spiral repetition of the sort of price spiral experienced in the 1970s. At roughly \$25 a berrel a host of energy supplies suddenly become economic. These include production of liquid fuels from natural gas, coal, shale oil or tar sands, all of them potentially large fuel sources. Higher prices would also cut the growth of Opec's market by providing incentives for conservation.

No one knows for certain the pre-cise threshold at which a new cycle of energy production and conservation would be set off. There appears scope wound he set out. There appears scope for a gradual \$4 or \$5 increase in the real price of oil from present levels without upsetting the broad pattern of growth in demand.

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For this to happen, however, Opec must learn the lesson of 30 years of battling the oil markets. It will have to display for the first time an ability to manage the market. That means agreeing a strategy and carrying it out by timing Opec's additions to capacity correctly — staying just ahead of demand, but not so far ahead as to cause a price collapse. Given Opec's record, there must be

a good chance that it will fail the test, a good chance that it will fail the test, and that after a few years of valatility, prices will shoot up. It is this, in part, that lies behind Mr Jennings' view — still firmly held — that oil prices above \$20 a barrel are likely to prove unsustainable, as higher prices lead to a renewed emphasis on fuel efficiency. Yet it is a bet against the increasingly moderate public pronouncements of senior Opec ministers who say they want level or only ters, who say they want level or only modestly higher prices.

This idea was expressed again last week at the Opec ministerial conference by Mr Rilwanu Lukman, the relatively limited reserves.

It was expressed even more forcibly by Mr Hisham Nazer, the Saudi Arabian oil minister, and by Sheikh Ali-Khalifa Al-Sabah, the Kuwaiti oil min-ister. With wast oil reserves under their control, they are in a position to prove the industry's experts wrong. A bet on much higher oil prices is thus a wager that these nations will not be able to act in their own collective

#### Like musical chairs

■ The question of just how bad City job losses have been since Big Bang has proved very difficult to answer. The origi-nal predictions of losses of 50,000 have been inaccurate, but how does one get closer to the right figure?

A possible answer comes in a survey by Noel Alexander Associates, the management en moving faster to counter consultants. It suggests that net losses may have been quite small. The firm polled all the City's leading merchant banks and securities houses and received 50 usable answers. They showed that net losses over the period January-December 1988 were under two per cent. The respondents started the year with 18,315 staff and ended it with 18,018,

a net loss of only 297. Of these companies, 26 increased their staff, 22 decreased it, and two made no change. Noel Alexander warns that the results are bound to have been distorted by the sensitiv-ity of the subject, and the greater readiness of companies to respond if they had good news to relate. Even so, the survey supports the view that In the long term legislation can only be an interim meathe severity of job losses in the City may have been exag-gerated by the greater public-ity given to firings than to hir-

ings. And even the firings may not be as terminal as many think. Morgan Grenfell, who made the City's biggest cleanout nearly a year ago, report that 430 of the 450 people who went have been re-employed

#### Christmas junk

■ At least Drexel Burnham Lambert practise what they preach. The Wall Street firm that gave the world junk bonds is trying out a new security on its star bankers, traders and sales people; the junk Christmas bonus. With the junk bond market

national newspapers producing a new code of conduct; Lord Marsh, for example.

A protégé of Hugh Gaitskell, the young Richard Marsh was once thought of as a possible future leader of the Labour

Party. He was Minister of Power, then Transport in the 1960s before going off to head British Railways after Labour lost the general election in 1970. For the last 13 years he has been chairman of the Newspaper Publishers' Association, a formerly prestigious body from which not all that It was the editors, not the pro-prietors, who produced the last week's statement on the code of conduct: a marked empt government legislation on such matters of intrusion into privacy and readers' right of reply and it is a most point whether it will satisfy MPs

## **OBSERVER** BAWX

"If you have to ask

how much the libel damages are, you can't afford them."

was eased out on the sugges-tion of Andrew Knight, who was until recently chief execu-

tive and editor-in-chief of the Daily Telegraph, but has since left the Telegraph group. Marsh will be succeeded by

Sir Frank Rogers, a man who

like Knight has played a promi-nent part in the revival of the Telegraph's fortunes under Conrad Black and has a string

of other newspaper achieve-ments, notably his chairman-

ship of EMAP, the highly prof-itable East Midland Allied

Rogers is a former director

of the NPA and it was he who, along with Andreas Whittam Smith, the editor of The Inde-

pendent, helped to persuade editors to produce the code. He might almost have been

wearing the NPA hat, which

he will assume officially in March, a few days after his

down on its luck, the once fab-ulously profitable firm will probably only just be in the black this year. Thus, to bol-ster its capital, it is telling its most productive employees that they will get part of their bonus not in cash, but in the form of convertible preferred stock. Not even the interest will be paid in cash, but in yet more securities.
About 1,000 of Drexel Burn-

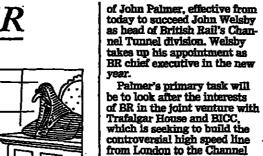
ham's 5,500 employees, the people who earn more than \$200,000 a year, will be affected by the scheme. It should save the firm about \$75m. The word from inside is that the staff understand that the organisa-tion has to tighten its belt, but they wish it didn't have to do it at Christmas.

Exit Lord Marsh ■ There have been some casualtles on the way to Britain's

much has recently been heard. departure from the NPA's past. The code is designed to pre-

Back to trains angry with the press.

It will be announced shortly ■ Past and present railway enthusiasts will note with some interest the appointment that Marsh is departing. He



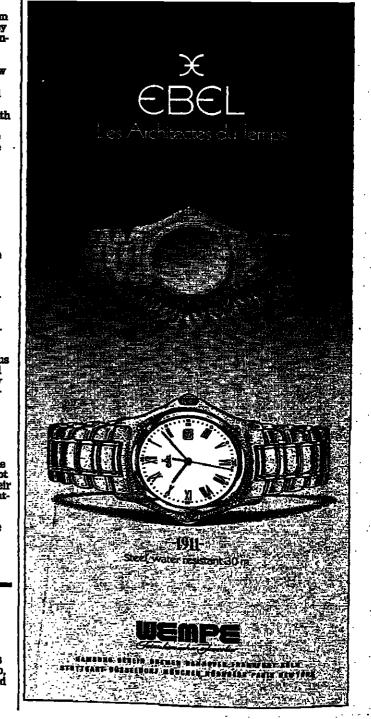
As the civil servant in charge of railways in 1982, it fell on Palmer to receive the report of the independent review on railway financing chaired by Sir David Serpell Far from defining a new and expanded role for railways in the 1980s, as BR had hoped, the report concentrated on cost-cutting measures which bore all the hallmarks of Ser-

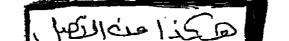
pell's Treasury days. The most extreme Serpell scenario reduced the rail net-work to a skeleton of trunk lines, making the Beeching cuts of the 1960s look generous indeed. The classic Whitehall compromise, implemented by Palmer, was that the rail network would not be cut, but that the government subsidy

would be progressively

reduced. Palmer was only doing his job. But, in the eyes of those hoping for a new dawn for the railways, he was definitely not the man who championed their cause. That makes his appoint-ment to HR all the more intriguing, Palmer, now 61, was a deputy secretary at the Department of Transport on his retirement. He will have BR director status, but will not be on the board.

Keep off it ■ Typed notice in a Sussex women's club: "Members of the Music Circle are advised that the opera on records this month will be the rousing 'Do, Pasquale." Not to be confused with the more restrained "Don't, Glovanni".





"I AM NOT a conventional politician," says Italy's rather startling Foreign Minister. Only when talking about himself does Gianni De Michelis ever flirt with understatement. This should not be mistaken for mostly, for this 49-year-old Socialist from Venice has a high opinion of his quite formidable telents. It is merely that his appearance, his lifestyle and his intellectual pyrotechnics need no amphasising he is a colourful anomally among flaly's peculiarly sombre political class.

His tenure is already beginning to confirm that Italian foreign policy is entering a much more active phase which will seek to exploit opportuni-

which will seek to exploit opportunities opened up by the visible evaporation of superpower tensions and the need to build new relationships with the countries of Eastern Europe. A the countries of Eastern Europe. A significant pointer to this ambitton came during Mr Mikhail Gorbachev's state visit to Rome last week, when haly happily agreed to systematic contacts with Moscow, including blanmal meetings of foreign ministers.

Mr De Michelis assails the listener with pedagogic enthusiasm, readily propounding his theories about historical cycles, the emergence of a new "citizenry" in the world, the necessity of harnessing Britain to Western

of harnessing Britain to Western Europe's process of political infegration and the initiatives which he and other leaders must take to avoid global instability. All delivered with animation, in an avalanche of words and matching gestures which conform

and matching gestures which conform to the foreigner's image of how an Italian politician should behave.
His jet black ringlets hang a little less generously over his shirt collar than they did before he attained the most senior office of his career, but itset side of his complex personality which prompted him to write a guide to Italian discothèques a couple of years ago remains indissolubly welded to a taste for frivolous pleasures. Although it has by no means wrought Although it has by no means wrought miracles for his weight problem, Mr De Michelis' advice to all tesse, jubby politicians and businessmen is to take to the dance floor.

"It is a physical activity, clears the

People are becoming aware . . . that the choice is between integration and disintegration'

hrain of thought and you do it at a time which is normally at your dis-posal." Unaware, perhaps, that a rest-less search for distraction is bred into many a Venetian, his colleagues in the European Community's Council of Ministers would be mistaken; however, to see him as anything other than a deeply serious man. He may naver have the devotion of Britain's Douglas Hurd to mastering his brief, nor the quiet patience of France's Roland Domas in unravelling a diplomatic problem, but there is no mistak-ing his determination to establish an international name for himself. Gianni De Michelis, Italy's activist Foreign Minister, describes his vision of Europe to John Wyles

## Exceptional events, exceptional answers

Unfortunately, his greatest defect, as he freely admits, is a difficulty in focusing on one thing at a time — "it is linked to my curiosity," he says apologetically of his nomadic intelligence. Instruction can sometimes look like weak judgement, as when Mr De Michelis proved to be the only Community foreign minister present at Colonel Gadaffi of Libya's calebration of his 20 years in tower in August of his 20 years in power in August.
Certainly, failure to do his homework would be quickly spotted by his
Community colleagues when Italy
takes over the EC Presidency in little more than half a year. Then, Mr De Michelis will find himself chairman of the General Affairs Council and responsible for managing the Commu-nity's response to who knows what problems after the rapid withering problems after the rapid withering away this year of some of the props of the post-war political order in Europe. Apart from a towering self-confidence, De Michells will also bring to the task an unusually clear conviction that he understands the direction in which history is moving, and an anxiety to be part of what he believes to be a turning point in world affairs. Partially influenced by the Russian historian, Nikolai Kondratieff, who identified 50-year-long waves of international economic growth and recession, Mr De Michelis believes the world has recently entered "the Fifth Kondratteff" cycle.

Kondratteff" cycle.
"I am convinced that the crucial turning point is the fifth Kondratteff which is beginning exactly now. In this historical period of 20-40 years, we shall see exceptional events requiring somewhat exceptional responses. And what has been hap-pening in Europe in the last few months seems to confirm this."

This is not the normal stuff of foreign ministerial discourse in Italy or anywhere else for that matter. "I am not a futurologist in a classical sense, but at a certain point I wanted to do a book and I have been working on it for two years now." As a former Pro-fessor of Chemistry at the Universi-ties of Padua and Venice, he says that his historical studies have been aided

by his scientific training.
Like many italian politicians he has
no real roots in Rome, and has
seemed a little reluctant even to anchor himself in the white marbled palazzo which Mussolini built as a new headquarters for his Fascist Party, and which now houses the Foreign Ministry. For more than 10 years his sojourns in the capital have always been passed in the city-centre



Plaza Hotel, where since his appointment in July the Foreign Minister has frequently been seen at work at the back of its cavernous lobby, files piled

There, hir De Michelis offers as his key to reading world events the existence of opposing concepts of integration and disintegration. "Globalisation is the dominant characteristic of our times but it inevitably creates reactions among countries and peo-ples. In many cases these behavioural responses are disintegratory – pro-tectionism, unilateral debt moratoria, racism and phenomena of this type." He says integration, in the sense of deepening interdependence, is the answer to disintegration and is a tool "for managing the globalisation pro-cess. Its most important objective is to safeguard differences among peo-ples, differences of individuality and identity." Europe, he says, now finds itself at the centre of world affairs

because "people are becoming aware,

choice is between integration and dis-

integration."
"Europe now finds itself with the opportunity in the 1990s - which in my schema are the decisive years for the fifth Kondratieff - to be the theatre for the first real integration experience." It is not only Mikhail Gorbachev but also the Community whose role has been crucial in creating the possibility of a wider integration with Eastern Europe by promoting change there. "We have been a pole of attrac-tion in a way that Japan and the US cannot be. While we have in common with these countries democratic systems and the market economy, we also have the welfare state and co-operation between social partners as characteristics which are particularly interesting models for countries in

He believes Mrs Thatcher to be totally wrong in wanting the Commu-nity to stop and digest its new, single

market before considering further integration. "There are only two alterintegration. "There are only two alternatives, either we go forward or we go back, and the latter would be a total victory for disintegration which would be followed by general disintegration in Europe." Providing the Community does press shead towards economic and monetary union "which will take a few years, there will then be social harmonisation and, in the space of ten years, 15 at the most, there will be political unification."

In the process, "we must make every effort not to lose the UK. It is too schematic to say we should move ahead towards political unity in smaller numbers. We must create the objective process which causes British resistance to fold. We need to go

resistance to fold. We need to go

resistance to fold. We need to go ahead at the necessary speed . . . to avoid disintegration."

Italy, he adds, has a specific interest in keeping the UK as a full player in the integration process. Otherwise, he says, there is a danger, even inside a united Europe, of a "neo-Carolingian axis at its heart," based perhaps on a re-united Germany, with Poland and Czechoslovakia in its sphere. This could unbalance the continent and could unbalance the continent and consign Haly, Spain and Portugal to "a peripheral role," says De Michelis. His reasoning gives further justification for the efforts Haly has launched to build regional collaboration to the conth with Vincolayin Apetric and bo duttle regional cottaboration to the south with Yugoslavia, Anstria and Hungary. In the short term this will serve to bring these countries closer to the Community, in the longer term if may insure against marginalisation. At the very least, this analysis reveals that the nation state remains a last feater in Former's fetting area. reveals that the nation state remains a key factor in Europe's future, even in the mind of a devoted integrationist. Mr De Michelis says that much thinking needs to be given to the institutional shape of European unity—"it would be unthinkable," he says, "to use a late 18th century model like a United States of Europe," which would be ill-adapted to local cultural and political conditions.

Moreover modern individualism

Moreover, modern individualism, he argues, is different from its 18th century forefather since it derives from a new type of citizen — "this is one of my most original intuitions," says De Michells proudly. Mass educasays be interest produced an individual who has "learned to make cost benefit analyses of an instinctive type." The popular uprisings in Eastern Europe are the pressures of a citizenry which, wan in the absence of democratic here. even in the absence of democracy, has concluded that it must be governed in

a more reasonable manner. In the cause of global integration he is about to launch a proposal that in the 1990s the Community should devote I per cent of its gross domestic product to aiding, in equal thirds, Eastern Europe, the southern Medi-terranean littoral, and the rest of the developing world. "This is a big num-ber, \$450n, and there will be budget-ery objections but it is an integration." ary objections, but it is an integration response to the huge and potentially divisive differences of potential between Western Europe and these other countries." Mr De Michelis is unconventional, and he is determined LOMBARD

## The challenge to **Mrs Thatcher**

By Samuel Brittan

ANYONE WHO accepts the need for constitutional constraints on the activities of democratic leaders cannot but feel worried about many fea-tures of the British elective dictatorship, one of them being the absence of any limit to the time a Prime Minister can be in office corresponding to the US two-term rule – especially as the British Prime Minister is

in many ways more powerful than a US President.

"This does not mean that the Prime Minister will always get his way. His main power is a negative one. Ideas can be cast aside, approaches blocked, individuals passed over, because the party leader does not care for them. One unfortunate effect of the present style of politics is that the kind of leader is elected who thinks he much home. must have a quick answer on every subject an interviewer personality is normally vain, autocratic, intolerant of dissent and quick to interpret any crit-icism as a personal affront, or a plot against himself."

So far from the above pas-sage being a personal attack on Margaret Thatcher, it is a quo-tation from a book of mine, Left or Right, which appeared in 1968 when Harold Wilson was Prime Minister — as the masculine personal pronoun indicates. Thus the case against the present British Prime Minister "going on and on" is much more basic than any views one might have for or against Mrs Thatcher per-sonally.

Mrs Thatcher has always maintained that she would know when the time had arrived to go. But apart from the inherent improbability of an individual in the top posi-tion being the best judge of himself or herself, the histori-cal record suggests that powerful leaders have not known. One of the worst aspects of Mrs Thatcher's distaste for constitutional or institutional constraints is that it places at risk so much of what she herself has achieved. Quite apart from electoral reform, there are many other devices by which democracy can bind itself not to put everything at risk with every swing of the electoral

independent central bank, full membership of the European Monetary System, or a reformed or reinforced Second Chamber, not to speak of a Bill of Rights. None of these devices can prevent a change of course if there is sufficient popular support, but they do represent a Stop, Look and Lis-ten sign in the face of an irresponsible policy change. Yet Mrs Thatcher is opposed to them all. She is staking far too much on her party always being led by a person in her mould and on that party winning every future election.

That wise 19th century Liberal statesman, Richard Cob-den, remarked that the leaders of the Anti-Corn Law League (of whom he had been the most important) were not the right leaders for the struggles of the future. Similarly, even the greatest admirers of Mrs Thatcher's successes in rolling and reducing union power, might wonder if her qualities are best suited for a new era.

If the challenge to Mrs Thatcher had come from Michael Heseltine or Sir Ian Gil-mour, the issues of economic policy which caused the origi-nal wet-dry split could have re-emerged. But with Sir Anthony Meyer, whose only desire is to give members a choice, and who had been provoked into standing by Mrs Thatcher's "distaste for everything emanating from the European Community the stakes are rather different.

A particularly displeasing aspect of the contest is the "dirty tricks" which have been so freely aired. The same sort of party activists who now support the Prime Minister at all costs were just as hostile to Mrs Thatcher herself when she launched her very necessary challenge to Edward Heath in 1975. Any self-respecting Con-servative MP, whether or not he remembers the words of Edmund Burke about the duty of independent judgment, will react to such pressures by resolving any marginal doubt in favour of Sir Anthony (who has behaved with great dig-nity), or at least abstention.

# TETTERS

## of value

From Mr Richard B. Potter Sir, Martin Wolf urges that the events in Eastern Europe represent not the triumph. merely western values, but, specifically, of American values (A triumph of whose values? Lombard column, Notable 34). preise, modesty is not a value highly prized by Anglo-Saxons

or Americans.
We are told that the history We are told that the history of this century pivots on that Day of Infamy," December 7 1941, coming immediately after the collapse of capitalism in the 1930s, and that it was only the attack on Pearl Barbour that brought rescue from the New World.

Would it be ungracious form the Anglo Saxon powers were the principal contributors to this callanse and to the failure of

callapse and to the failure of international institutions. In the 1930s? Or which non-American New World countries had come to the aid of Europe two years before Pearl Harbour? Or which most a property of the countries of the c which great Angio-Saxon powers delivered up to Stalin the eastern European countries now emerging from 45 years of

Mr Wolf pleads that Europe-sus, as they strive to rebuild their countries, should be prop-erly respectful of and thankful for American tutelage. If an outpouring of gratitude is helpful to European recovery, I am sure that the great Anglo-Saxon powers will

receive their due.
On the other hand, if the sorry state of the western hemisphere south of the Rio Grande is truly reflective of the power of American values. perhaps the ungrateful Europeans will choose to to rely on their own more parochial interpretations of universal western

The world looks somewhat different from the perspective of a middle power which believes that multilateralism and pluralism will be the driving forces of the 21st century. I commend this perspective to serious problems:

Mr Wolf, who believes that the London/Washington axis expresses the mandate of Movement (of people and goods around the country);

Richard B. Potter, Fasken Campbell Godfrey, Toronto Dominion Centre, Toronto, Canada

## Measures German banks do not 'own' German industry "bearer" shares, which method not incomprehensible. The exempts the shareholders from management pressure. Man-

difference between the UK and

its EC partners on Delors stages two and three will remain, Our partners are ready to take the first courageous

steps towards a single currency, a European central

bank, and eventual political union – but the British Gov-ernment is not.

From Mr Karsten Schmidt. Sir, in her BBC Panorama interview on November 27 the Prime Minister said, inter alia, that "German industry is owned by the banks." This statement cannot be left unchallenged. The Federal Republic of Ger-

many operates a universal banking system. The banks are both commercial and investment banks and stockbrokers. Naturally they invest their own and customers funds also in commerce and industry – but they do not fown German

Most shares in Germany are

From Mr Leonard Jackson.
Sir, The EC meeting in Stras-bourg on December 8 will surely be crucial in determinfing whether our partners start to move ahead without us. Your leading article (November 1) on the European monetary system (EMS) rightly observed that full membership has become "a litmus test for Britain's commitment to the broader political aspirations of the Community." The British difficulty is that the Prime Minister does not appear to share these apprations, and the French wish to move too

There is a possible glimpse of compromise in Mr Karl Otto Pohl's support for the British preconditions for entering the exchange rate mechanism (ERM); you reported this (November 20). Cannot the French and the Italians be persuaded to bring forward the date for abolition of their exchange controls? Even so, the fundamental

Yet some measure of agreement must be reached at Strasbourg. During my long associa-tion with the Foreign Banks Association, senior bankers from 40 countries — working closely with the Bank of

England and the British banks

— discussed many technical
papers, including those on
banking supervision and convergence, in which the British were the pacemakers (the Brits' apparent dragging of feet over Europe is purely govern-mental). In our discussions no voice was raised, but much was achieved through goodwill and mutual respect: the only way to conduct international discussions.

Germany play a leading role both as trusted advisers to the investing public and, to a agement does not know who the shareholders are at any minor extent, as principals.

If Mrs Thatcher meant what she said, and believes that given moment. At shareholders' meetings a frequent method is for shareholders to "German industry is owned by the banks," then – with all due respect – the Prime Minishave their bank represent them. This will result in banks acting for themselves and as proxy for customers — but again, it does not lead to the banks "owning German induster was wrong, and ill advised. Karsten Schmidt, Executive Vice-President, British Chamber of Commerce The playing field in Germany for takeovers is as level in Germanu. as it is in the UK; the rules are

#### slightly different, but certainly Some agreement must be reached at Strasbourg

The worst scenario would be destructive row in Strasbourg in December, in which our partners were perceived by the markets to be going ahead without Britain. My fear is that sterling would then reap the whirlwind. The rate of exchange for sterling is a price tag put upon our currency by foreign holders.

Furthermore, it is in the

nature of their business that foreign exchange dealers cannot afford to be caught long in a falling currency - hence the "lemming" effect. The UK as an offshore island, battling it out on the foreign exchanges with a possibly hostile EC and ensympathetic US, would be a

daunting prospect. It is deeply regrettable that the Prime Minister's great messianic vision does not extend to the high excitement of a Britain integrated into Europe. Leonard A. Jackson Stable Cottage, Speldhurst Road, Langton Green, Kent

#### Opportunity knocks for the Chancellor

From Mr L.W. Orchard.
Political parties will avoid taking positive action to resolve serious problems if it is likely to cause a degree of resentment to one or more sections of the electorate and thereby unpopularity for them-

Currently Britain has four

• Environment and pollution. May I suggest to the Chan-

cellor of the Exchequer that in

his next Budget he kills the

racket of company cars,

Think about it. Everybody from the chairman downwards should provide his/her own means of transport to and from

those four problems?

straightaway helping the UK to

overcome, at least in part,

work. There should be no taxation relief to companies for the cost of cars; no taxation relief to individuals for using their cars for (so-called) business purposes; no mileage allow-ances; no loopholes of any sort.

And the consequences?

Individual purchasing power is reduced, thereby helping the inflation problem; • The balance of payments will be improved by the pur-

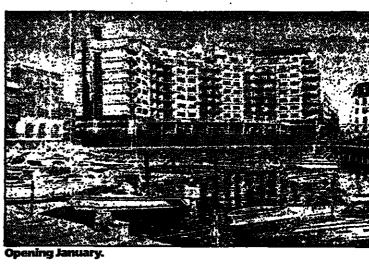
chase of cheaper (and, I hope, British) cars, and a reduction in the 7m foreign cars imported each year. • Fewer cars on UK roads (there are now 18.5m) will relieve congestion.

The environment and the air we breathe will be improved, and our semi-bank-

rupt railway system should

also benefit. Over 75 per cent cars on UK roads, are company owned. The opportunity is there. Will the Chancellor seize it? L.W. Orchard, 8 Templars Place, St Peter Street,

Marlow, Buckinghamshtre



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Janet Bush on Wall Street

#### Maxwell's foray into **New York**

THERE are three very different people at the heart of a new, highly sophisticated money management company opening up shop in New York but already established in London.

Called London & Bishopsgate International Investment

Management Pic in Britain, the firm is majority owned by Mr Robert Maxwell, the flamboyant international media baron. Its launch in New York as London & Bishopsgate Interna-tional Inc is Mr Maxwell's first foray onto Wall Street

Heading up the US operation is Ms Phoebe Zaslove who started her Wall Street career trading options at First Boston but really made her mark at Morgan Stanley where she rose to become a managing director and is widely credited with having built up that blue chip firm's considerable derivative products business. Originally trained as a concert pianist she became one of the most renowned women traders on

the Street. Fellow-American Mr Andrew Smith, chief executive of the London-based company, has lived in England since 1967 and taught Oxford University stu-dents about global capital mar-kets in the mid-1980s before setting up his own consultancy. He is the mathematical brain behind the array of indexed equity and bond prod-ucts which LBI is now offering international investors.

Using quantatitive models, Mr Smith has developed a fam-ily of indexed, international, customised equity and bond portfolios. What is remarkable about LBI's products is that they combine three increasingly dominant investment philosophies.

Indexation has become enor mously popular. This is the art of tracking and so replicating the returns offered by an index with the alm of investing in a diversified portfolio with lower management fees and greater

predictability of returns.

An international approach is becoming increasingly popular with investors who recognise not only the attraction of the risk diversification this offers but also the superior returns.

LBI notes that the leading

 MSCI-EAFE (Morgan Stan-ley Capital International-Europe Asia Far East) – has substantially outperformed the Standard & Poor's 500 index over the past 10 years. LBI also notes that active international fund managers have had a hard time beating the EAFE

Customising portfolios is increasingly recognised as a necessary service to offer cli-ents. The primary objection on Wall Street to the New York Stock Exchange's basket prod-uct representing the S&P 500 gives very limited scope for the trading of non-standard portfo-

The LBI portfolios include two international equity indi-ces and four local market indices representing the US, Japan, Britain and West Germany. There are also bond indices, peculiar to LBL for these four countries as well as specialised portfolios such as the UK Ethical Index - which avoids investment, for example, in South Africa – and the Japanese Warrant Index.

Each portfolio is based on an index designed by LBI. A case in point is the LBI-100 Index which, pending approval from the Securities and Exchange Commission and the Commodity Futures Trading Commis sion, will be the first international derivative product to be licensed for listing as an options and futures contract on the New York Stock Exchange and the New York Futures

The make-up of this index gives an idea of LBFs thinking. It is a customised index designed to reflect the EAFE in aggregate and tracks the EAFE extremely closely. The crucial difference is that the LBI index only contains 100 stocks rather than the 900 in the EAFE index and is therefore far less cum-

These 100 issues have been chosen because they are highly liquid. The portfolio is under-weighted in stocks listed in less liquid and efficient mar-kets such as those of Italy and France and has none from Spain and Portugal. Mr Smith's top priority is to offer his cli-ents portfolios free from logistical nightmares and whose

risk is fairly predictable.
The family of indexed portfolios is the basis of LBI's money management business. It then offers to enhance the returns through Tactical Asset Allocation and various strategies using options, futures and, yes, various forms of arbitrage. By flipping in and out of Japanese warrants and their underlying stocks, J.Bl has outperformed the Japanese market by 11 per cent so far this year.

#### PHILIPPINES CRISIS

## Crack rebel units continue fighting

FIERCE fighting continued in the Philippines last night between government forces and rebel army and air force units including some of the country's crack combat troops who joined the sixth coup attempt against President Cor-azon Aquino.

Government forces repulsed

an attack yesterday on the country's military headquar-ters and hundreds of rebels surrendered. But heavy fight-ing continued in the Makati business district of the capital where the rebels had control of apartment blocks, luxury hotels, banks, office buildings and banks.

and banks.

At least 56 people have been killed and nearly 500 wounded.

Both international civilian airports - Manila and Cebu, 560km to the south - remained closed and all international and domestic flights were can-celled. Rebels held the Mactan military air base in Cebu. In Davao, 960km south of

Manila, a group of mutineers tried to reach the airport yesterday but were turned back. However the Davao rebels have not surrendered and bout 38 junior officers issued a manifesto declaring support for the mutineers and opposition to the "amoral and cor-rupt practices of the present Administration."

In Higan City, 880km south of Manila, two battalion com-



A pro-government officer embraces a weeping rebel soldier who had surrendered a few moments earlier in Quezon City

manders and a regional intelli-gence chief publicly declared their support for the mutiny. When the rebels are eventually crushed, the turning point will probably have been their failure to capture the country's

Brady and SEC chief call for

higher Chicago futures margins

Aguinaldo, eight kilometers east of Mrs Aquino's office in Malacanag Palace which was rocket-bombed on Thursday.
They bombarded the head-quarters with 105mm Howitzers. Government jet fighters and helicopter gunships attacked the mutineers' posi-tions outside the camp. The rebels also launched a ground attack on Camp Aquinaido but it was repulsed after a four-hour battle that left three dead and 25 wounded. The commander of the rebel assault, Lt-Col Cesar dela Pena, later surrendered with more than

President Aquino went on resident Aquino went on national television yesterday to say: "I will fulfill what I said: no cease-fire. What they started, we will finish."

The damage to Mrs Aquino's Government is substantial even if the rebels are crushed. Foreign investment and tourism, both crucial to economic development, will decline sharply as the Philippines' political stability is again thrown into doubt.

thrown into doubt.

Mrs Aquino's domestic credibility, already at a low point, was further damaged yesterday with the news that she had asked US President George Bush to order US aircraft to bomb and strafe rebel positions on Friday. President Bush refused, but did order US fighter aircraft from Clark Air Base, near Manila, to give government troops air cover and to prevent rebel aircraft from taking off from two air bases they had captured. This ended the rebels' air assault.

## Decade of austerity **forecast**

IF the 1980s was an era of conspicuous consumption in Europe - when the wealthy and would-be wealthy treated themselves to Louis Vuitton luggage and Rolex watches - the 1990s seems set to be a much more austere decade.

A study\* from the Henley Centre for Forecasting, the UK economic and social research centre, paints a Nietzschean picture of European consumers in the 1990s as "anxious, their consciences by spending their money on ecologicallysound products and charitable

Henley sees the 1980s as a time when selfishness was "a virtue" and greed "a natural, healthy condition." This cultural climate, combined with increases in disposable incomes, encouraged consumers to be more self-indulgent in their spending habits.

People became much more

likely to buy things on impulse. They also lost their inhibitions about spending money on luxury goods – the Vuitton bags, Rolex watches, Hermes scarves and Chanel jewellery.
Attitudes are changing. The

"intoxication of hedonism" that has characterised the 1980s has, according to Henley, "produced a hangover of guilt." The 1990s are seen as a decade when consumers begin to believe again that "plea-sures are bad" and "what we want to do and what we ought to do are opposed." These guilt-ridden consumers will use their disposable incomes to

placate their consciences by buying "relief from guilt." The study identifies the recent rise of interest in environmental issues - concern about acid rain and pollution

– as proof that Western
Europe is entering a more

ascetic era. For those Europeans who have enjoyed flashing their Rolex watches in the past 10 years – and who would prefer to buy a bottle of Christian Dior perfume than a box of hio-degradable soap pow-der – the only good news is that Henley also believes the 1990s will see the replacement of the "hurry sickness" of the 1980s with a much more relaxed lifestyle.

\*Eurostrategies into the 1990s. The Henley Centre, 2 Tudos Street, London EC4Y OAA.

#### for 1990s By Alice Rawsthorn in London

unconsolidated associate com-panies. It is all, you might think, a bit late in the day.

## An air of calm in Tokyo

the manifold inconsistencies

between reporting at different companies. Rosehaugh's

annual report, published last week, shows shareholders' funds of £476m against borrow-ings of £269m. Ferret about in

the eight pages of notes covering its 16 associate companies,

consisting mainly of joint ven-tures with other developers

such as Stanhope Properties, and there is detailed financial information about only six of

them. Even there, one can count at least another £847m of

borrowings, of which about \$400m look to be attributable

This is not necessarily a crit-icism; Rosehaugh's disclosure

is in many respects a lot better than the norm. The last group accounts from Greycoat, one of

its joint venture partners, showed eight associate compa-nies with no separate balance

a vital ratio at the moment but one which Rosehaugh does not show. Compare their presenta-

tion, in turn, with London &

ing combined assets and liabili-ties of its associates.

The problem with all this.

from the investor's point of

view, is the difficulty of com-paring companies. At the

fession is working on Exposure Draft 42 with a view to a new

accounting standard to cover

special purpose transactions.

This has a special bearing on off-balance sheet financing in

the property sector. Along with

the new Companies Act. it amounts to an opportunity for the property industry and its

auditors finally to straighten

out its reporting.

Not for the first time, the Tokyo market's recent string of record highs has been unnervingly at odds with senti-ment in most other parts of the ment in most other parts of the world. But the beauty of Tokyo is, after all, its lack of volatility. Its 20 per cent rise this year has been a reasonably steady affair. Wall Street, by contrast, was 36 per cent up before its collapse in October and even now, it is worth recalling, it has outperformed Tokyo in the year to date.

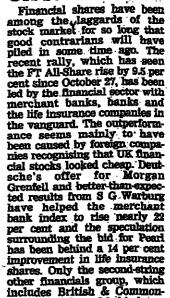
There remains some puzzle ment over why Tokyo has been quite so strong over the past week or so. Part of the answer must be our old friend, the weight of money. Suspect as this argument is in other markets, it gains peculiar force in Tokyo because of the restricted asset classes open to Japanese institutional cash flow. Last month the Ministry of Finance placed further restrictions on real estate investment: the steeply inverted yield curve makes Government bonds unattractive: after October 13 Japanese investors are rightly nervous of overseas markets: so Japanese equities and cash are attractive by default.

are attractive by default.

That said, it would be surprising if the market did not suffer a correction of sorts before the year end. There is still, after all, a certain risk of overheating in the economy, even if the yen has been steady against the dollar lately and the chances of higher interest rates seem to be receding. For rates seem to be receding. For the more sanguine, of course, a December setback would be the ideal prelude to a hoped-for improvement in the inflation figures in January and a New Year rally.

Property accounting It looks like another case of regulators shutting the stable door when the horse is furlongs away. With the Bank of England's warnings about over-geared developers ringing over-geared developers ringing in its ears, the UK commercial property market is waiting to see who will drop by the way-side first. It is a little ironic, then, that a mere 10 days ago the new Companies Act became law, containing provisions which make it much harder for property companies. harder for property companies to concess the true scale of their borrowings by parking

The treatment of off-balance sheet debt is only one of the thorny issues in property accounting but it illustrates UK Sectors



wealth, has lagged behind.

Those remaining bears can take comfort from the fact that the worst performing sectors in the last few weeks have been mechanical engineering and electronics – signs perhaps that investors are noticing how the slowdown in the economy has moved on from the retail and building industries to the capital goods sector. GEC's results tomorrow will be scru-tinised for early signs of reces-

Water

Luck may not be running the Government's way at the moment but there can be few sheet for any. On the other hand, Greycoat very usefully breaks down its borrowings to show how much is fixed-rate and how much is floating rate: complaints about the stock market background to the water flotation. The FT-SE 100 is up 119 points, or over 5 per cent, since the price was announced on November 22. That compares very well with the investment climate when British Steel was privatised, let Edinburgh Trust's, whose 1988 accounts go one better than Rosehaugh's with a table show-Analysts were looking for a 15 per cent premium on the parily-paid shares when the

price was announced. The KG Index figures now indicate that 20-28 per cent looks more likely, depending on the attractions of the individual companies. That premium starts look large enough to attract the serious stags and Sid may well be prompted by the weekend press coverage to join the melée. A large premium may do little to enhance the Government's tattered reputation for shrewd dealing on the tax-payers' behalf, but then water has for some time looked like a loss leader for the much trick-ier electricity issue.

#### Treasury Secretary, and Mr Richard Breeden, the new Securities and Exchange Com-Margins are significantly lower in Chicago than in the mission chairman, have joined forces to call for higher mar-gins in the Chicago futures New York stock markets. Investors who buy stocks deposit at least 50 per cent; futures margins are less than

Mr Brady gave no hint of how Chicago margins - the amount of cash which traders must place on deposit — should be changed. But Mr Breeden suggested that Congress should intervene and set the minimum margin level at 20

By Lionel Barber in Washington

MR Nicholas Brady, US

The two were speaking in Florida to members of the tion (SIA), amid concern in both Washington and New York about volatility in the be driving away small inves-

five per cent.

Mr Brady noted the link between the stock and futures markets. Low margins in Chicago "create the potential for extreme volatility, starting in the futures market and washing back to the stock market," he said

Mr Brady, who chaired an official task force investigating supported higher margins in his final recommendations to then President Ronald Reagan. stock market which appears to

kets – who are regulated by the Commodity Futures Trading Commission and have strong political ties in Congress – blocked the proposal.

Chicago also blocked a Brady proposal for the SEC to assume authority over futures contracts that are related to

At the weekend, Mr Breeden said the SEC would accept the authority if Congress gave it to his agency, but added: "It isn't our proposal." These and other comments

aggest the Bush Administration is prepared to threaten the markets with legislation - if steps deemed necessary to reduce volatility and encourage the return of the small

## Summit paves the way for arms cuts

Continued from Page 1

lar on various suggestions for securing an early conventional forces agreement.

No details were available last night but there have been suggestions that deeper troop cuts than currently proposed may be discussed and that the controversial issue of combat aircraft may be deferred.

Mr Bush made fresh proposals on reducing chemical weapons, promising to halt the production of binary weapons in the US in exchange for Soviet acceptance of the US plan for a phased elimination of all such chemical capability. But US officials said last night there Mr Gorbachev had hoped for "rapid movement." The Soviet leader told Mr Bush that he favoured an eventual transformation of Nato

and the Warsaw Pact from
"military" alliances to "politi
cal-military" and finally to
"just political" alliances. Otherwise the main new developments were economic, as the US made proposals to increase bilateral trade and American business involve-

ment in the Soviet Union. Mr Bush talked of supporting any Soviet application for observer status in the General Agreement on Tariffs and Trade which negotiates international trade policy, as well as lifting

trade restrictions, known as the Jackson-Vanik amend-ment, once the Soviet law on emigration has been put into

The US also plans to discuss with Congress an extended role for the Export-Import bank, the US agency, in providing trade credit, as well as the negotiation of an investment protection treaty to promote US investments in the Soviet

On Central America, the two sides agreed to disagree. Mr Bush insisted that he was still unhappy with arms supplies to Salvadorean guerillas – but accepted Mr Gorbachev's assurances that Moscow was

## Landmark talks weather the storm

Continued from Page 1

It was moored it on the quay-side 400-500 yards from the In the end, practically every-thing to do with the summit

- talks, meals and news con-ferences - were held on the Maxim Gorky. This former West German ship was in sore need of diplo-matic rehabilitation, for only last August it dumped 600 elderly Germans on the Arctic ice after hitting an iceberg.

The Grigal hardly made an

President Bush's "mediameister. Sig Rogich, trying or the Russians were the worst to put a brave face on the spectacular failure of the Adminishas not been finally resolved. tration to control the weather, said: "The President likes this sort of thing." Mr Marlin Fitzwater, the White House

spokesman, said: "The President seemed energised by the sity of the storm." Captain Siglet of the Belk-nap said it was the worst inport storm he had seen in 24

Not to be outdone in the weather stakes. Mr Gorbacher felt the storm had shown the need to start naval disarmament with ships which could not be boarded in bad weather. The cancellation of the afternoon shipboard talks and din-ner led to recriminations about whether the Americans

What is certain, on the other hand, is that both sides were equally bad at press relations,

WORLD WEATHER

has not been finally resolved.

repeatedly failing to inform a rain-drenched press corps where their leaders were holding their talks, whether the summit had been abandoned altogether or whether Mr Bush and Mr Gorbachev had retired to drier quarters on land.

Some say the whole chaotic situation was really the fault of the US President's brother, William, a businessman with close connections with Malta It was "Bucky" Bush, as he is known, who apparently per-suaded George that he could not do better than spend a sun-drenched weekend in the Mediterranean in winter. It is said in Valletta that George's fraternal affection will be reserved for Mikhall in the

## E German resignations

Continued from Page 1

18. The move deprives East Germany of political leadership for the first time since it was formed out of the former Soviet occupation zone in 1949. The Government formed last month under the reformist SED helm of Mr Hans Modrow, the Prime Minister, is still in place. But the Politburo, backbone of power in East Germany for 40 years, has been suspended pending the voting in of a new one at the SED's special party conference on

The working committee set

up yesterday to prepare for the Party conference pointedly excludes former Politburo members and is made up of reformist figures, above all

from the regions.

Its members include Mr Wolfgang Berghofer, the mayor of Dresden, and Mr Markus Wolf, the former East German espionage chief. Mr Berghofer may emerge as a candidate to take over Mr Krenz's former job as general secretary at the Party conference in two weeks'

# Decisions, Decisions, Decisions

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## **FINANCIAL TIMES** COMPANIES & MARKETS

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#### INSIDE

#### A new power emerges

In the old days, industrial power was generally rooted in the ability to transform raw materials into products. But a new power is emerging, one that is opaque and embedded in the contractual relations between manufacturers and their subcontractors. In the Business Column, Charles Leadbeater looks at how international components suppliers could soon play the central role in the industrial world. Page 40

#### Dramatic shift in complex plot



It sounds like the plot of the sort of novel bought for long-distance aircraft flights. But it is a reallife saca from the Italian business world. Mr Carlo De Benedetti (left) has control of Mondadori, Italy's largest pub-fishing group. But maybe not for long. For, the Formenton family, whose backing over the

last 18 months has assured the Italian businessman control of a majority of Mondadori's ordinary shares, has accused Mr De Benedetti of "financial activism distant from the true interests of the company" and announced that it would in future act "in full autonomy" over any decisions taken. The result is a dramatic change in shareholder alliances which works to the advantage of Mr Silvio Berlusconi, the TV proprietor. John Wytes reports. Page 28

#### Hard road to rewards

Companies looking to equities for solace from the doldrums in the the international bond mar-ket are finding they must work hard for their rewards in the international market-place. The overseas market for new stock issues has become much more discerning as a spirit of pragmatism has grasped the large investment institutions in the wake of 1987's stock market crash and the ensuing volatility on several markets. Page 27

#### Matra denies interest in Ferranti

Matra, the French arms and electronics group. has denied it is interested in taking a minority stake in Ferranti International Signal, the UK defence electronics group that has been hit by a suspected fraud. The news follows Friday's announcement by British Aerospace, regarded as the main contender to bid for the group, that it was no longer interested. Page 29

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## Small fry starts to make its presence felt

Rachel Johnson examines the reasons behind the recent growth of the UK's corporate bond market

tors in sterling bonds are demanding yields that corporate treasurers will find hard to live

with for 20 years.

After two potentially attractive new issues last week failed to find the expected demand from institutional investors, Mr Tony Smith of Barclays de Zoete Wedd said: "UK institutions are stepping back from the long-term bond markets." Two months may pass in-store there is another pass before there is another long-term issue.

Amid these short-term troubles, it is easy to forget that in the 1970s the UK corporate bond markets was all but killed off by high inflation and big govern-ment deficits. Issuing of gilts by the Government to finance those deficits "crowded out" other bonds from the market.

By contrast, in 1988-89 the
Bank of England bought in

£4.7bn (\$7.3bn) of outstanding gilts to offset a budget surplus, and the market shrunk by 9 per cent. In the Interim, the Bank has stage-managed a discreet explosion in the sterling corporate bond market. Concerned both to counteract the shrinkage in the £122bn government bond market and to foster London as a

he long-term market in UK corporate bonds is facing a buyers' strike. Investors in sterling bonds are demanding yields that corporate trest UK sterling bonds from \$2750m in 1980 to over \$200m now. This shrinkage of the gilt market in the long-term market in the long-ter This shrinkage of the gilt market has left a gap in the portfolios of institutional investors, which like to keep a portion of their investments in fixed-interest securities in order to match their long-term liabilities and assets. Over the decade, the proportion of UK pension fund assets invested in gilts has more than haived to about 10 per cent, while that for life insurance commanies

> The corporate bond market with maturities of up to 30 years has to some extent filled this gap. It would have accounted for more had it not been for the 1980s'
> "cult of the equity" - the preference for investment in shares among institutional investors. Other difficulties have also of the market's growth – for example, the periodic crises of confidence in sterling which scare off foreign investors.
>
> Despite indications from the Government that the pace of buying in silts mere clear down the

that for life insurance companies

has dropped from 27 to 16 per

ing in gilts may slow down, the Bank of England believes the cor-porate bond market has a lot going for it. Mr Ian Plenderleith, head of the Bank's gilt-edged division, told the Association of Corporate Treasurers that, although the market was already a "major feature in the London financial landscape", they "ain't seen nothing yet."

This offers comfort to those left

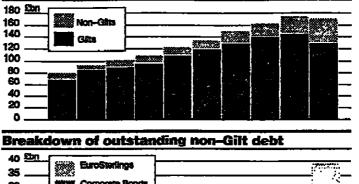
as dealers in the sterling bond market. The Bank has been tellmarket. The Bank has been telling the diminishing group of market makers in gilts (27 in October 1986 after "Big Bang", 19 today) to "crowd in" to the nongit sterling bond markets.

The Bank is eager to play a bigger role to keep the corporate market as "orderly and efficient", as it has the gilt market. With the Stock Exchange, it has a plan to process issues at a City-besed

to process issues at a City-based central bond office. It would like to see some sort of bond pricing index. But it is also concerned that there should be no unreasonable constraints to issuing sterling bonds, and has just freed up the market in sterling paper of less than five years' maturity. Mr Pienderleith says the ster-ling bond market is neither

"monolithic nor narrowly based".

Different sorts of borrower, investor and instrument "have taken up the slack at various times." More recently, the slack has been decisively taken up by companies issuing long-term corporate



Corporate Bonds 85 86 87 88 89

British companies have, in , been the chief beneficiaries of this buoyant market. Without a corporate bond market, UK companies are restricted to raising funds through equity – not always possible or convenient – or from banks, which is often expensive and is usually subject to short-term interest rate fluctu-

Outstanding sterling debt

More than half the market -\$16.4bn - is now accounted for by issues in Eurosterling, where new issue procedures follow the more flexible conventions of the Eurobond market. Nevertheless, the lifting of exchange controls and the fact that the dominant investors in many Eurosterling issues are still British means the

Eurosterling issues is, according to the Bank of England, a "crude one" that is "plainly out of date". UK companies also have the option of raising funds through bonds secured against company assets, which are called deben-tures. Issuance of domestic debentures has doubled to £2bn this year, and the bonds trade at an average premium to gits of only about 50 basis points (half a percentage point). Property companies have been large users of this corner of the market, as

Source: UBS Philips and Drew Debt Division

have statutory water companies.
Mr Jeremy Lewis, of brokers
Seymour Lewis Butterfield,
describes secured corporate bonds as "a reasonable substitute for gilts". The water companies, he says, need long-term debt to

fund considerable rolling capital expenditure programme

Secured bonds have benefited recently from worries about "event risk", the possibility that an external event, such as a highly-leveraged takeover, can produce a sharp reduction in the credit quality of bonds. Tougher covenants attached to secured bonds give bond investors greater power in such eventualities.

More recently, the problems faced by leveraged takeovers in both the US and UK appear likely to have set back prospects for the growth of a subordinated, or junk, bond market in the UK That will be greeted by relief in some quarters. Mr Henry Kauf-man, the New York-based finan-cial analyst who has long been a keen advocate of the benefits of a healthy corporate bond market, describes the possibility of the emergence of junk bonds as "a

spectre".

He believes the corporate bond market could have a beneficial impact on both companies and the economy. It will help risk assessment of issuing companies and to provide a market whose price signals are more sensitive to credit risk than either the bank loan or equity market, he says. It brings another dimension of competition to the securities

Nevertheless, it will be a long time before the emerging corporate bond market will have significant effects on the UK economy. The market is still tiny and looking in liquidity when comlacking in liquidity when com-pared with that in gits. As yet, issues are bought rather than traded. Mr John Shepperd, ster-ling bond economist at Warburg Securities, says: "The market is so young we have only just started to give a damn about it."

## Pay awards pose leadership test for the CBI

why the UK economy is in a mess look at 1986. In that year, the unemployment rate exceeded 11 per cent: even the heavily-massaged official figures showed that a record 3.2m people were jobless. Retail price infla-

tion was a mere 3.4 per cent, the best figure since the late 1960s. In almost any other developed economy, the combination of a very slack labour market and low inflation would have resulted in very small wage increases. In the UK, the underlying increase in average earnings failed to dip below 7% per cent — the level it had been fixed at since Britain emerged from recession in the early 1980s. Wages are easily the most

important determinant of costs and hence of prices. Mrs Margaret Thatcher's Government lost control of the economy in 1987 and 1988, not because it failed to keep faith with monetarism or become a full member of the European Monetary system, but because it lacked a strategy for coping with endemic pay infla-tion. An expansion of demand

duced a 12 per cent drop so far this year in the Bank of

f you want to understand built on a base of 7% per cent way the UK economy is in a wage inflation was bound to prove disastrous.

When the Lawson boom got under way, the UK was already far out of line with its main competitors. Earnings were rising at under 4 per cent a year in West Germany and France and under 3 per cent in the US and Japan. It is hardly surprising, therefore, that Britain now has the highest

that Britain now has the highest core inflation rate of any large economy and easily the higgest balance of payments imbalance.

And in judging the seriousness of the latter, do not just look at the £20bn (\$31.2bn) current account deficit. The "basic balance", which includes long-term capital flows, is a better guide to the sustainability of current the sustainability of current trends. Ratimates by the Nation Institute for Economic and Social Research suggest that Britain could be running a deficit on the basic balance of about £50bn, or 12 per cent of GDP.

But why, perplexed foreign investors may ask, have earnings risen so fast in the UK? Surely, the Thatcher Government introduced swingeing anti-union legis-

lation, thus shifting the balance of industrial power firmly in favour of employers? It certainly did, and it is thus difficult to blame trade unions for what has

gone wrong in recent years.

Professor David Metcalf, an industrial relations expert at the London School of Economics. says the legislation did work in two important respects. It led to a big reduction in union membera mg reduction in union member-ship in the private sector and it facilitated far-reaching changes in work practices. But he accepts that it did next to nothing to restrain wage inflation.

One reason for this is that

many large employers simply do not see pay inflation as a serious problem. At its annual conference in Harrogate this year, the seemed willing to address any issue but pay. Indeed, delegates seemed blissfully unaware that earnings growth of 9 per cent-plus might pose a problem for an economy heading for stagnation,

if not outright recession.

The line peddled by the CBI throughout the 1980s is that pay increases are fine so long as pro-

ductivity also rises. The argument has some validity at the level of the individual enterprise but it ignores both the plight of "outsiders" looking for jobs and the general inflationary bias imparted by a high "going rate". It has no relevance today because productivity growth is likely to tumble as demand deflates.

In these circumstances, some commentators seek a deus expressive in the charge of full.

machina in the shape of full-membership of the EMS. But even if this option does materialise in 1990, the National Eco-nomic Development Office is correct to argue that wage bargaining behaviour would not adjust quickly. If other countries' experience is any guide, the learning process could take the tpartofa

to be done? Free-marketeers will be tempted to urge yet more draco-nian trade union reform. On this view, the problem is that Britain has failed to persevere in its attempts to create a US-style labour market. What such an analysis ignores is that wage inflation is more a reflection of

managerial policy than of workers' muscle. The truth is that Britain is experiencing a short-age of co-ordination rather than a shortage of competition. The problem posed is a classic example of market failure. All

companies would benefit if all agreed to reduce their pay awards. Yet no one company can afford to take a stand unless it is confident others will support it. It would be industrial relations suicide to offer 6 per cent when the going rate is 9 per cent, even though everybody privately agrees that 6 per cent would be more appropriate in the UK's cur-rent economic circumstances.

The irony is that the prese trend towards individualistic, decentralised pay bargaining is achieve. Employers need to get together and collectively decide what "going rate" is acceptable. The unions would be in no posi-tion to resist a unified approach on pay and, indeed, might even recognise that lower nominal wage increases would greatly improve Britain's macro pros-pects and thus make higher real



#### By Michael Prowse

wages more affordable in the

The drawback, of course, is that such a constructive approach to stagflation would require a bit of real leadership from the CBL

#### Economics Notebook

## **Boosting UK's low savings rate** sterling depreciation that took place before Mr Lawson resigned and which has pro-

PREPARATIONS for the omists in Britain closely British Budget - rather like preparations for Christmas seem to start earlier each year.

A key part of the process is
the submission of tax reform
schemes to the Treasury from all manner of groups, some of which may put forward ideas of genuine public interest and others which may simply be

pleading special cases.

The early crop of submissions for the 1990 Budget has already produced a promising proposal from Professor Mervyn King of the London School of Economics to boost the UK's worryingly low savings rate without excessive cost to the tax payer.

Prof King has suggested the creation of a new tax-free personal retirement account (TRA) to offer a simple long-term savings vehicle for the unsophisticated investor.

The idea is that any individualual could invest up to £2,500 in a fiscal year in a personal retirement account that would provide investment income and capital gains free of tax on con-dition that no money was with-

drawn until the age of 90. Similar schemes in the US and Canada have had a positive impact on savings. Prof. King reckens that most money. entrusted to TRAs would be invested in special high-inter-est deposit accounts with banks and building societies, which would have an interest in operating such accounts to attract long-term-funds to

finance their mortgage lending. In the case of a basic rate tax payer, he calculates that pro-ceeds over 30 years could be twice those of an ordinary deposit account. After five years. TRAs should raise private saving by between 20 and 30 per cent at less cost than raising the basic rate of income tax by one percentage point. Ish exports.

Prof King is one of the .... One problem with this analyregrettably few academic econsis is that it ignores the large

involved with the workings and subtleties of financial mar-kets. His proposal merits spe-cial attention because he already has an impressive record of innovation in tax

of the 1988 Budget for an income tax structure based on 25 per cent and 40 per cent rates. Had Mr Nigel Lawson, the former Chancellor, also listened to his ideas for offsetting the give-away impact of such a Budget. Britain might not be facing such a tight monetary squeeze after last year's borrowing surge.

#### **D-Mark illusion**

Later today, Mr John Major makes his first appearance as Chancellor before the House of Commons Treasury and Civil Service Committee. The MPs will be failing in their duty if they do not press him once again to clarify his attitude

towards sterling.

Judging by his past form, he is unlikely to be too specific. But he could do worse than lay to rest a potentially dangerous notion that the pound's recent weakness harbours fewer inflationary risks because it has been most apparent against the

The argument is that because stering has fallen by only 2 per cent against the dollar in the five weeks since Mr Lawson resigned, there should be only a limited boost to imported commodity and raw materials prices, which are mainly dollar-denominated. Meanwhile, the 6 per cent drop in the pound against the D-Mark does not matter too much. It could even be beneficial by hindering manufac-tured imports and helping Brit-

#### THIS WEEK

THE POUND is likely to remain the focus of the market's attention this week after its 3.5 per cent fall against the D-Mark during November. An indication of the scale of the Rank of England's intervention to steady the pound's decline during the month will be pro-vided by today's official reserves figures.

England's trade weighted City analysts expect another large fall to follow October's exchange rate index.
It also disregards the very large proportion of British record drop of \$2.9bn. The conimports that are supplied by West Germany and the counsensus of forecasts, compiled by MMS International, the tries linked to the D-Mark in the European Monetary Sysfinancial research company, is for a decline of \$1.5bn.

Because the figures will include the effects of interven-Mr Kevin Gardiner, an economist with Warburg Securities, tion in the final days of Octohas pointed out that, together, these goods account for 51 per cent of Britain's visible ber the fall should give an idea of the extent of Bank support for the pound immediately after Mr Nigel Lawson resigned as Chancellor. On that day, the pound fell more imports.

Most of these imports are manufactures, and margins may be subject to some down-ward pressure because of com-petition on the British domesthan 2 per cent against all currencies. The reserves data could also reflect some of the

tions among the retail, whole-

The final retail sales data for

October (the provisional figure

was a 0.7 per cent monthly fall)

and credit business for October

In the US, Friday's employ-ment report for November will

be closely watched for further

signs of an economic slow-

sale and motor trades.

are published today.

tic market. But Mr Gardiner argues that this is of little com-fort when the amount of trade Bank's activities in the forward currency markets in the months before November. This week promises to be a busy one for Mr John Major, the Chancellor. Today, he answers MPs' questions on the involved is so much larger than British imports of fuel and raw materials (about 10 per cent of total visible imports) and imports from the recent Autumn Statement in the House of Commons' Trea-A further illusion is to believe that commodity prices sury and Civil Service Committee. Tomorrow, he speaks to the Association of British will stay stable in sterling

terms if the pound-dollar rate Chambers of Commerce in changes little. The strength of the D-Mark is producing a fall There is likely to be fresh evidence of the decline in the in the dollar and it is therefore likely that dollar-denominated UK retailing sector on Thursday, when the Confederation of commodity prices will rise as a British Industry/Financial Times survey of distributive trades is published. The survey is expected to reveal subdued All this looks like bad news sales and depressed expecta-

for Mr Major, whose stated goal is "to bring inflation deci-sively down and keep it down". Indeed, Warburg's Mr Gardiner believes import prices and unit wage costs will each rise by more than 7 per cent next year, resulting in an end-1990 inflation rate of 6.25 per cent, com-pared with the Government's own 5.75 per cent forecast.

Peter Norman

# UK official reserves \$ billion 52 50 48 46 44 42 40 38 1968 1989

1988

down. The recession in manufacturing industry has been showing up in recent data and analysts are forecasting a smaller rise in the workforce total than October's unexpectedly large gain of 233,000.

If the rise in the non-farm payroll is less than 100,000, fears of a full-blown recession could receive the payroll than the state of the

could re-emerge, hitting the dollar and US share prices. The MMS international consensus is for a rise of 150,000.

On Friday, the European Community summit opens in Strasbourg, where EC leaders will discuss the plans for a Social Charter, the Delors pro-posals for economic and monetary union, recent events in eastern Europe and the US-So-viet summit talks off Malta.

In West Germany, statistics for the balance of trade, manufacturing orders and industrial production for October will be

Other events and statistics due this week include: Today: UK, housing starts and completions, credit business and final retail sales for

labour market statistics.

credit for October. Friday: UK, construction output for the third quarter.

THE TORONTO-DOMINION BANK

Canadian \$100,000,000 11½ per cent. Deposit Notes due November 27, 1991

Amsterdam-Rotterdam Bank N.V. **Deutsche Bank Capital Markets Limited** 

Generale Bank Westdeutsche Genossenschafts-Zentralbank eG

Banque Générale du Luxembourg Bayerische Landesbank Girozentrale Fuji International Finance Limited

Norddeutsche Landesbank Girozentrale Sanwa International Limited

Swiss Volksbank

Tomorrow: UK, Conservative Party leadership election. Wednesday: UK, advance energy statistics for October and detailed analysis of recent

Thursday: US, consumer

lssue Price: 101.50 per cent.

Hambros Bank Limited

Banque Bruxelles Lambert S.A. **RBC Dominion Securities International** 

ScotiaMcLeod Inc. Wood Gundy Inc.

Banque Internationale à Luxembourg S.A. Dresdner Bank

Mitsubishi Finance International plc Rabobank Nederland

Algemene Spaar en Lijfrentekas/

Swiss Cantobank Securities Ltd. Westdeutsche Landesbank Girozentrale

An-Hyp Savings Bank S.A. Banque et Caisse d'Epargne de l'Etat, Luxembourg

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**CERA Spaarbank** Kredietbank International Group

Südwestdeutsche Landesbank Girozentrale Vereins-und Westbank Aktiengesellschaft

November 27, 1989

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US MONEY AND CREDIT

## Sifting the Fed's contradictions

aggressively drained reserves from the banking system, the money market desk at one leading British bank in New York was reportedly stunned

That really is a measure of how the conventional wisdom was shocked by the Fed's insistence that it had not eased monetary conditions last week. Daily comment by seasoned Fed-watchers, normally pedes-trian, suddenly became excit-ing reading as bond economists lambasted the central bank for giving confusing signals on monetary policy. Drexel Burn-

ham Lambert commented that it had never in all its years of Fed-watching witnessed such contradictory behaviour in the Fed's open market operations. It seems in retrospect that there were some understandable errors.

The five-day repurchase agreement on Wednesday, November 32, was interpreted as an easing in the Fed funds rate to 814 per cent. However, it appears that the multi-day adding operation reflected large reserve needs and was

not policy-inspired.

Donaldson, Lufkin & Jenrette, in rather self-congratulatory mood, reminded their cli-ents on Friday that they had not believed the five-day repurchase agreements to be a sign of easing. They pointed out that the Federal Reserve state-ment week, that includes Thanksgiving, usually has a need for a large injection of reserves into the banking sys-tem and that, therefore, the Fed's adding operation was to

Then the brokerage offered a small lecture to its mistaken colleagues: "The overall confusion that arose in the Street suggests some need for market participants to reconsider pro-cedures used to assess technical versus potential policy nature of open market

The confusion of the last two weeks does not actually matter in the longer term. Its signifi-cance is just that practically everyone on Wall Street (and in the financial press which follows the pronouncements of the experts - including this paper) got it wrong - a matter

of some hurt pride. Even as the controversy over the Fed's mixed signals raged, the debate was rendered meaningless as more economic data was released showing a continued deceleration in economic growth, which pointed to a need for lower interest rates. Although the bond market hardly moved last week, despite several statistics showing a weak economy, the stock market was clear about where

it thought the land lay. In the final two sessions of last week, the Dow Jones Industrial Average jumped nearly 60 points to its highest close, by a considerable mar-gin, since the "mini-crash" on October 13. The reason cited for this rally was hope of lower

iterest rates. The lack of much positive reaction in the bond market reflects two things: the Street's build-up of substantial long positions on the belief that the Fed had eased a little less than two weeks ago, and a loss of confidence in its forecasting

Last week's economic evidence pointed in one direction. On Thursday a significant rise in jobless claims was reported for the week ended November 18. That encouraged hopes in the bond market that November's employment report, due out this Friday, will be weak enough to induce the Fed

finally to ease again.

After the confusion of the past formight surrounding the Fed's signals, it may take a significant benchmark statistical report, such as employment, to make the Fed ease. The Fed does not want to be misunderstood again.

The weekly jobs claims figure was followed last Friday by news of a 0.4 per cent drop in US leading indicators in Octo-

The bond market showed little reaction to this release. Some noted that this indicator is notoriously unreliable, while others pointed out that the fall was due mostly to a rise in initial claims for unemployment insurance and a decline in the average working week. The jobless claims were also boosted by the effects of Hurricane Hugo, and the working week went down because of

the now settled strike at Boe-Also on Friday the latest report from US purchasing managers was published. The National Association of Pur-

chasing Managers reported that the economy deteriorated for the seventh consecutive month in November, and at a slightly greater rate than in the previous two months. The purchasing managers' index fell to 46.6 per cent. An index reading under 50 per cent shows that the economy is in

Production fell for the fifth consecutive month - but somewhat slower than in October - while new orders declined in November, having increased in the previous month. Employment slipped for the 10th consecutive month, but at a reduced rate than in the previous four months, according to the

Prices continued their decline for the sixth consecutive month, but the drop was less than that seen in Oct-ober.

Exports continued to be a bright spot, but manufacturing output continued to weaken. Mr Robert Bretz, chairman of the association, said: "Nowhere is the growth recession in man-ufacturing more clearly reflected than in the vendor deliveries index which, at 42.5 per cent, is the lowest since

Мау, 1982." Although US bond traders

have been in a state of high dudgeon about being deceived by the Fed, foreign institutions have plainly ignored this domestic storm in a tea-cup and continued to bet on lower interest rates. A significant amount of foreign buying, even at the long end of the yield curve, was reported by dealers last Thursday, the day of the jump in weekly unemployment

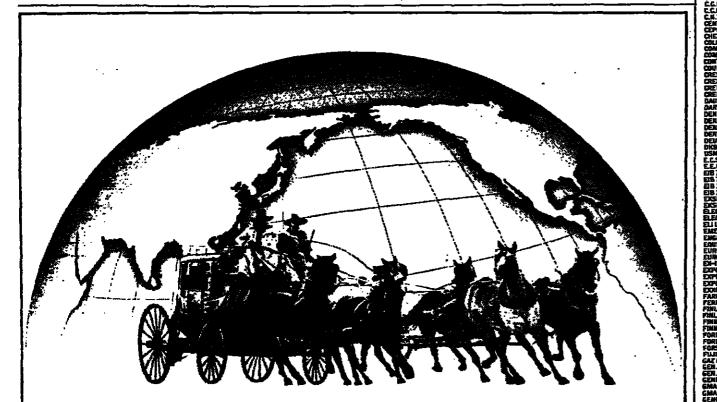
Not only will the Fed want evidence of alarming weakness in Friday's employment release, but it will also want continuing signs of an abatement in inflation pressures. Salomon Brothers pointed out one encouraging aspect: the Christ-mas season has produced unusually large price dis-

counts. Some bond economists felt that the purchasing managers' report was weak enough to persuade the Fed to ease, even before the employment figure

But while everything points to a further easing, the question of timing remains - as Wall Street is now painfully

Janet Bush

US MONE	Y MARK	et RA	ITES (	<u>'%)</u>	
	Last Friday	I week ∂go	4 wis	12-month High	12-menti Lov
Fed Funds (weekly areage)	8.44	825	8.69	9.62	8.00
Pares month Treasury bills	<u>7.76</u>	7.75	8.08	9.03 9.03	7.37
Six-month Treasury bills		7.67	8.09 8.60	10.35	7.37 8.18
Three-mostly or line CDs		8.19 8.25	8.65	9.95	8.05
50-day Commercial Paper		8.10	8.40	10.05	8.10
US BOND P	RICES A	ND Y	IELD\$	(%)	
· ·	Last. Fri	Charge	Yadd	1 week	4 wŁ
	m.	<u> </u>	7109	_ <del></del>	<del></del>
Seven-year Troksary	1011	1	7.78	7.74	7.95
20-year Treasury		+4	7.96	7.97	8.01 7.93
30-year Treasary	1024	-4	7.87	7.87	1.75
Money supply. In the week en	ided Novemb \$5.7bn to \$79	er 20, se		enon Bros adjusted	
	nded Novemb \$5.7bn to \$79	er 20, se 1.0bn.	esonally		
	\$5.7bn to \$79	er 20, se 11.05a.	esonally	adjusted	
	\$5.7bn to \$79	er 20, se 11.05a.	DEX	adjusted	
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NRI TO Describer 1983 = 100 Overall	30/11/89 148.14	PERIODAL  PERIODAL  PERIODAL  PERIODAL  S.87	DEX TORMANCE Last West 147.81	12 wis 290 149.41	25 wis 250 147.82
NRI TO December 1983 = 200 Overall Covernment Boads	30/11/89	PERIODA SATES S.597 6.05	DEX TORMANCE Last West 147.81 147.78	12 wis 20 149.41 149.48 151.19	26 vis 390 147.82 149.27
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## Traders chew over buy-back policy

THE BANK of England's cancellation of £4.5bn worth of gilts was in danger this week of being treated as a non-event, coming in the middle of a week when gilt prices languished at their lowest levels since just before the 1987 stock market

The yield on the benchmark Consols 2.5 per cent gilt was 5 percentage points higher than that of the FT-All Share Index, resulting in a yawning reverse yield gap between the two mar-kets. This appeared particularly dramatic because a similar gap helped usher in the equity market crash of 1987.

equity market crash of 1897.

During this drama, gilts traders were looking anxiously to see what Wednesday's deadline for share applications for the water industry would bring, when the money markets. kets should be awash with

Rets should be awash with £2.5bn (\$3.9bn). They were wondering whether the reverse yield gap could possibly narrow to bring gilts prices up from their two-year low.

However, if this week investors switch out of gilts into water shares, then it is likely that yields on long gilts, at 10.5 per cent, could go even higher per cent, could go even higher and widen the reverse yield gap even more. But it is felt that the "punters" will proba-bly choose to take their money out of building societies rather than gilts or equities -

to pay for water. Even if the markets, unlike water, fail to find their own levels, they still have the

Bank's cancellation of £4.5bn of gilts to chew on. The news that some of the stock bought in by the Bank had been cancelled rekindled speculation about the likely composition of the gilts market in the 1990s.

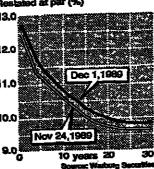
The market's size - as

opposed to composition remains the subject of debate. In the short term it will continue to shrink, given the undertaking in the Finance Act of 1989 to pay off the national debt with a debt repayment programme (PSDR). To this end, the Bank is buying in outstanding gilt-edged secu

The gilts cancellation. though unprecedented, represents a logical last step of this sents a logical last step of this buy-in programme; until stocks bought into "official hands" are cancelled, the programme does nothing to reduce the national debt, the object of the PSDR exercise.
The cancellation also con-

tributes to the Bank's "housekeeping" programme to keep the shrinking gilts market tidy and efficient. If the Bank is going to cancel large amounts of stock, the argument runs, there is a case for neutralising the negative impact of the can-cellation by husbanding existing issues. This the Bank can do with its conversion programme, designed to improve the liquidity of the shrinking market.

The conversions - of which there has been only one so far - allow investors to swap out UK gilts yields Restated at par (%)



of illiquid stocks into larger, liquid ones. The Bank's offer to convert the 9% per cent Conversion stock due in 2006 into the already bigger, liquid Treasury 9 per cent due in 2008 was enthusiastically subscribed to

last month by investors.

Following the 95 per cent success rate of the first offer, there is likely to be a further conversion early next year, fur-ther altering the composition of the market of the market.

Warburg Securities says that the list of stocks to be cancelled reveals the Bank's intention to consolidate the gilts market into a smaller number of more active issues.

The cancelled stocks are of two broad types: high coupon stocks of up to 10 years, and smaller issues post-2000. It looks likely that the next candidates for conversion, given

the success of the first offer, will be the 10 per cent 2002 and

2004 issues. Given these candidates, the Given these candidates, the Bank will succeed in reducing the servicing costs of its debt even more. It will do this by targeting high cothon stocks, so there are fewer stocks with interest payments over 10 per

cent to service.

Accordingly, the Bank's aims can be interpreted quite clearly. The market should become smaller, more liquid and cheaper to run. Composed and cheaper to run. Composed of fewer, more fungible bonds, it will become more like the French government bond market. But unlike France, the UK has no borrowing requirement—
so, rather than issuing more tranches of existing issues, it is buying in the ones that are crying out to be converted.

There is one caution: UBS Phillips and Drew argues that these aims will only succeed if these aims will only succeed if the conversion programme continues "aggressively." Otherwise, cancellations could exacerbate buying conditions in a market known to be in a market known to be shunned by the Japanese institutions for its lack of liquidity. It is conceivable—though judged to be a distant possibility at present—that there could be a sudden surge in demand which market makers could not satisfy. Then the Bank could be forced to cancel its cancellation programme and issue fresh stock.

Rachel Johnson

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KA PREFECTURE 94 93	140 1021 -1 200 771 -1	8.43	GRACE (WID 64 02	300 49% 0 75 102 0 180 213 4 150 86% 4% 150 97% 41%	19.52 4.50 -2.21 49.11 27.27	AEGON 992 2409/92 20 -2 254
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#### INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL EQUITIES

## Accommodating the discerning investor

WITH THE international bond lack of demand. Some compa-market in the doldrums, com-nies believe that their share panies which look to equities for solace are finding they must work hard for their rewards in the international.

market-place.
The overseas market for new stock issues has become much more discerning as a spirit of pragmatism has grasped the large investment institutions in the wake of 198% stock market crash; and the ensuing olatility on several mar-

kets. New equity placements in the international market must be well-structured and researched to find a reasonable

amount of success.
Nevertheless, growth in the
new-issue market worldwide has blossomed since 1984 when total new issues were valued at \$1.91bn, to reach a peak in 1987

\$1.91bn, to reach a peak in 1987 of \$20.17bn.

Volume dropped after the crash of 1982 to \$8.95bn last year, but was stronger this year at \$12.45bn.

As US money managers look to diversify their portfolios abroad and Japanese investors develop more of a taste for forceign stocks, the market for new international equity issues can prove lucrative for the can prove increasive for the right company. Mr Amir Eilon, managing

director of equity capital mar-kets at Morgan Stanley, pre-dicts that by 1992-1994 US hold-ings of foreign stocks will be in excess of \$200bn from a current lepps of sround \$75bm, which represents only 4 to 5 per cent of the typical institutional

equities' exposure.
Stock market volatility in recent months has discouraged some firms from coming to the market to issue, both domestically and abroad, but this is not because there is a

> EUROMARKET TURNOVER (Sm)

6.0 0.0 0.0 240.0 0.0 330.2 0.0 1783

New issue

prices are too low and are awaiting an upturn in the stock market before making a placement.

The burden of a more cautious investment environment with an absence of personal investors has fallen on the bro-kerage houses trying to peddle

new equity.

A recent \$260m special share placement for Rhone-Poulenc. the international chemicals company, was difficult to organise and place, according to Shearson Lehman, which underwrote the deal along with Merrill Lynch.
The issue was complicated ~

involving an offer of participating series A shares with war-rants - and necessitated considerable marketing work prior

to its launch.

"The new-issue market has recovered to the extent that deals like this get done," explains Mr Ludovico del Balzo, managing director of the equity capital group at Shear-son Lehman. He says the shares were sold and have now risen by FF15 in price, from
FF1455 to FF1470 (\$77), "but
these issues are very hard to
organise."
Indeed, large deals, often to

finance cross-border mergers, characterise the international market-place.

In the heady pre-crash days of 1987, all kinds of companies, both large and small, were turning abroad to raise cash. Now the international market now the international market is mainly the province of the well-capitalised. Furthermore, international placements are more focused

than in the past, with a small syndicate group dividing countries between them.

This process, known as ring-fencing, restricts a syndicate manager from selling the stock outside the country or area allocated to it, and has been used effectively by the Nether landa Government in its mas-sive privatisation of NNB Post-

bank. Mr Michael Watson, executive director of equity new issues at Daiwa Securities, explains how the firm uses this principle on a more informal

In a recent offering of some \$400m of new stock for Nichimen, a heavy machinery and chemicals firm, and Sumitomo Trust and Banking, Daiwa asked eight syndicate manag-

ers to focus on their own countries within Europe. Syndicate members are cho-

sen for their in-depth knowledge and skills, as managers try to exert more control over the market.

Another trend in the new-issue market is the move towards more cross-border issues by companies with sales around the globe. Two international companies currently planning worldwide issues are Polygram and Berlitz, whose names are recognised across the world's stock markets and which have customers in many countries.

In order to place successfully large cross-border equity issue, the company must occupy a clearly identifiable niche market and must have worldwide appeal. The Japanese institutions

and high-net worth individuals are new players in the interna-tional equity market. Japan's holdings of foreign stocks have increased dramatically from a negligible amount four years ago: net purchases of interna-tional equities are up to \$17bn so far this year from a level of

\$3bn last year.
Although some equity managers point to the difficulties in getting the Japanese to retain their holdings, flow back has diminished this year. "They were certainly very cautious for a time after the crash over the length of time they held stock, but today they are with-

out question net buyers of for-

eign equities," says Mr Watson of Daiwa.

Japanese investors have had their interest in Europe stimulated by some big issues and privatisations. Japanese investors are

mainly interested in large, liquid stocks since they want to have the room to sell once they decide to bail out. As it enters a more disci-

plined era, the international equity market is a hard but healthy one, according to many players. New placements must be

well prepared for an investment community that will no longer just purchase

## European Investment Bank plans to step up debt profile

THE EUROPEAN Investment centrated its borrowings in the Bank will increase its borrowings on the international capital markets by almost 20 per

cent this year. According to Mr Ernst-Guenther Broeder, the EIB's president, the bank expects to raise the equivalent of Ecu9.2bn (\$10.5bn) in 1989, compared with Ecu7.7bn last year, Mr Broeder was in Lon-don last week visiting British officials, including Mr John Major, Chancellor of the

The bank, the largest borrower in both the Ecu and sterwill no longer just purchase anything.

Deborah Hargreaves

ling bond markets and sometimes more active in the international bond market than the World Bank, has con-

last two years in European markets, reflecting the preferences of its clients. EC currencies are expected to account for 87 per cent of its borrowings this year, against 84 per cent in

its £200m (\$312m) "bulldog" bond issue last week brought the amount raised in UK currency to £1bn. But after four years as its second most important borrowing currency, the Ecu will be the most used cur-

rency this year.

Mr Broeder said that developments in eastern Europe would give the bank a new role. It already aids EC development policy in countries out-side the community. Last week

its board approved plans for a three-year lending programme of Eculbn for investment

gary.
The EIB is also expected to have a role in establishing the European Development Bank, proposed by Mr François Mit-terrand, the French President, to have responsibility for EC help for eastern Europe. But officials said the EIB would probably not be a shareholder, since its statutes forbid it to

hold equity.

Last week the bank agreed to lend Barclays Bank up to £100m to finance investment both outside and inside the EC.

Stephen Fidler

EW	INTERNATIONAL	. BOND	ISSUES

<u> </u>								NAL BOND ISSUI							
Borrowers	Amount m.	Maturity	Av. life vears	Соурол	Price	Book runner	Offer yield	Borrowers	Amount m.	Maturity	Av. lile years	Coupon	Price	Book runner	Offer yield
US DOLLARS		muser ny	Juma				~	Nigata Chuo Bank(b) ★★§	100	1984	,	3,	100	Credit Suisse	0.37
Toyo Menka Kaisha∳∳	750	1000		97	100	Nikko Secs. (Europe)	0.075	EIB∳	125	2002	-	6 💃	1013	Kredietbank (Sulsse)	6 08
Nippon Metal Industry®●	750 100	1993 1993	4	27g 3	100	Nomura Int.	2.875 3.000	Pokka Corp.(I) + +5	100	1994	-	4	100	Credit Sulese	0 25
Nippon Express Co.44	500	1994	5	33.	100	Nomura Int.	3.375	Abbey National Treas.★★◆	75	1994	-	64	101	SBC	6 45
QP Corp.♦♦	150	1994	5	33 31 <sub>2</sub> 23 27 27 83	100	Dahwa Europe	3.500	King Co.*** King Co.(II**	35 35	1993 1994	•	1	100 100	Bqe Paribas (Suisse) Bqe Paribas (Suisse)	1.00
Marui Co.♦◆	500	1993	4	2%	100	Nomura Int.	2.750	Nagasakiya Co.★★◆	120	1996	-	<b>2</b>	100%	UBS	0.256 6.68
Toshoku Ltd.♥◆	150	1993	4	2%	100	Nomura Int.	2.875	ECSC(p)★★◆	110	1994-7	_	812	{p}	Credit Sulsse	0.00
Suizer Brothers	100	1992	3	83 <sub>4</sub>	101 100	CSFB Merriil Lynch	8.360	C'toir des E'preneurs◆	50	1997	-	6¾ 6½ 6¾	1015	S.G. Warburg Soditic	6.454
Bettle Mountaingold(a)5◆ Ex-Im Bank Japan(e)◆	100 150	2005 1999	15 10	8.35	100	First Boston Corp.	6.000 8.350	Takara Standard(t) ★★§	100	1995	-	( <sup>1</sup> g) 1 <sup>1</sup> g	100	Bank Julius Baer	4
Sumitomo Realty & Dev.	150 15n	1993	4	(32·)	100	Dalwa Europe	9.350	Nippon Yusen K.K. * #4	300	1996	-	118	100	Credit Sulsse	1 12
Nipoon Oil Co.	500	1993	7	(3 <sup>3</sup> 8) (3 <sup>3</sup> 8) (3 <sup>1</sup> 2)	100	Nomura Int.	÷	Dalwa Danchi Co.(w) ★ ★§	250	1994	-	Zero	100	UBS	
Towa Real Estate Dev.♥	150	1993	4	(36)	100	Nomura Int.	÷	Sekisul Jushi(x)**§	80	1994	-	Zero	100	Nomura Bank (Switz)	
St.George's Finance(i)t •	100	1996	6		100	UBS Phillips & Drew	-	STERLING							
Svenska Handelsbanken	20	1990	1	74	100.825		6.868	EIB(D.♦	200	2004	15	103 <sub>8</sub>	95ដ	BZW	
Banco di Napoli(k)‡	186	1998	7	(k)	100	Goldman Sachs Int.	-	4. 1	200	2007		10-8	30/6	DETT	
STC Corp.(u)\$	30	2004	15	$(1^{1}, -1^{1})$	100	CSFB Source let	*	ECUs							
Sanwa Int. Finance	50 225	1996 2000	7 101 <sub>2</sub>	94g 9	101 % 102	Sanwa Int. Bk of Tokyo Cap.Mkts	8.756	Gen.Motors Acc.Corp.♦	100	1993	4	10	101.80	SBC	9 43
Bank of Tokyo Curacao◆	443	2000	10-2	9	;uz	OK OF TOKYO CAP.BIKES	8.688	Gen.Electric Cap.Corp.♦	100	1993	3	97	101%	Bankers Trust Int.	9.18
CANADIAN DOLLARS						·		Cerinvest NV◆	50	1990	1	11	10112	Kredietbank Int.	. 9.36
Fed. Business Dev.Bank◆	35	1992	212	11 <sup>1</sup> 8	1014	BIL	10.465	FRENCH FRANCS						<del> </del>	
AUSTRALIAN DOLLARS								EIB♦	1bn	1998	9	9.20	98.64	Credit Agricole	9.43
Bowater Industries	100	1992	8	164	1013	J.P. Morgan Secs.	15.642	LIRE							
Treasury Corp. of NSW♦ GMAC Australia Fin.♦	350 60	2006 1994	15 <sup>1</sup> 3	Zero 1514	14.55 102	Hambros Bank Hambros Bank	13.396 14.556	Oest. Kontrollbenk◆	100bn	1992	3	13	101%	ist. Mobiliare Ital.	12.42
D-MARKS			•		.—			PESETAS					_		
Takashimaya Co.₱♦	300	1993	4	15.	100	Nomura Europe	1.625	Eurofima 🌢	10bn	1994	5	1258	101 <sup>1</sup> 8	Dautsche Bank	12.31
Kyokuto Boeki Kaisha+	50	1993	4	156 156 156 156 157 178 (178)	100	Dalwa Europe(Germany)	1.625	YEN							
Lion Corp.	150	1994	5	1%	100	WestLB	1.875	Nat. & Provincial B.S.◆	15bn	1993	4	6.4	1015	IBJ Int.	5,93
QP Corp.∳♦	100	1993	4	158	100	Nikko Secs (Germany)	1.625	Bank of Montreal(c)	2.8bn	1991	2		1011	Nippor Credit int.	
Kitano Construction	150	1993 1994	4	13	100	Deutsche Bank DG Bank	1.625	Banca CRT(Cayman iskd)◆	2bn	1992	2 <sup>1</sup> 4	(c) 7	1013	Nomura Int.	6.30
D'Urban Inc. 0 ♦ Aichl Electric Co. ♦	100 70 .	1994 1994	ž	14	100 100	Deutsche Bank	1.875	C.itch Finance(Eur)(g)	10bn	1993	4	81 <sub>8</sub>	1012	Yamaichi Int. (Eur)	7.679
Swedbank/hit&	55 ·	1994	5	40bp	102	Mitsubishi Bank	*	SNCF	18bn	1992	23	6 <sup>1</sup> 4 6.7	1014	Yamaichi Int. (Eur)	5.73
Feldmuehle Finance	200	1999	10		1014	Deutsche Bank .	7.815	Skopbank •	13bn	1995	5	6.7	1017	Merrill Lynch	6.254
Tosoh Corp.	200	1994	10 5	(1%)	100	Deutsche Bank	*	CIBC♦	5bn	1994 1992	5	6.15	101.45	Sumitomo Trust Int.	5.80
Wuerth Finance Int.◆	100	2000	10	`8	10012	Deutsche Bank	7.926	C.C.Desjardins d'Quebec ◆ Orix (reland Fin.(a)★★◆	10bn 10ba	1992	3	63	101 % 101 %	LTCB int. Dalwa Europe	5.862 7.515
Tobu Stores Co.4	150	1993	4	(1 <sup>5</sup> 8)	100	Dresdner Bank	*	Asahi Beer Int.(g)(v) ◆	1000 10bn	1993	Ã	8 12	1015	Daiwa Europe	7,51; 11,471
Westi.B Finance(y)◆	100	1993	4	93 <u>,</u> 15 <sub>8</sub>	101 34	WestLB	9.207	ASLK-CGER IFICO(q)	Sbn	1991	14	Zero	91.1392	Nippon Credit Int.	7.70
Dalwa Danchi Co.9	300	1993	4	15 <sub>8</sub>	100	WestLB	1.625	Skopbank	1bn	1991	1	65g	101	Sanwa Int.	6.568
SWISS FRANCS								Skoohenk	2hn	1993	3	£5.	10115	Sanwa Int	6.089
Wako Electric Co.(o)★★§◆	45	1994		i,	100	UBS	0.250	#Not yet priced. ##Private places after 3 and 4 years at 102, 101 in y 71g % and 6% % respectively. Re domestic tragriest. If Yield to put 3: years. It 32 ever 6-month Libro 3357%. Of Vield to put 3.355% by	nent With a	quity werrants	L SConvertib	te. #Floating r	ete notes.	Final terms, a) Conversion	price \$20%. Cal
Tokyo Soir Co.(s)++\$€	40	1994		ű	100	Yamaichi Bank/Switz)	0.250	71g% and 6%% respectively. Re	demption link	ed to Nakei	stock index	. d) Redempti	on linked	to \$/Yen exchange rate. e)	Leunched on US
New Japan Chem.(r) ** \$ .	75	1994	-	¥.	100	Nomura Bank (Switz)	0.250	domestic market. () Yield to put 3.	308%. g) Red	Semption links	d to Nikkei	stock index. h	40bp ove	e 6-month Libor first 2 years,	712% lest three
Misawa Homes Co.(n)★★§◆	200	1995	-	ų	100	Credit Sulase	0.250	years 1-5 - 35bp over 6-month Libo	r, 65bp over 1	hereater. On	entoond 12 call at par	инанец зерст Dec. 1994, D Y	leki to put	3.313%. m) Yield to put 3.228	aj Goupon pays %. n) Yheid io su
Daido Sanso KK★★◆◆	60	1994	-	1	100	Credit Suisse	1,000	3.357%. o) Yield to put 3.414%. p)	Launched in	four trancher	of SFr27.5r	n each, Issue	price 1894	1996 maturities 100 2, 1997 1	tranche 100 4. q
Lion Corp.(m)★★§◆	150	1994	-	34	100	Credit Suisse	0.250	Treasury. v) Unlisted. w) Yield to pu DM1.40 per CS. Note: Yields are c	x 3.33/76. 6) put 3.412%. ±	THERE TO DUE 2 I Yield to out	3.425% vil	encesses yield t Borrower ooth	o put 3.45° on el rede	ייה. ע) ויעד נאמל. 1984 to yield raption to repay principal and	coupp under Ut
Japan A'craft Mnf(q)★★S◆	40	1995	-	4	100	Bge Paribas (Suisse)	0.250	DM1.40 per CS. Note: Vields are c	alculated on	AIRD basis					

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December 1989

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#### INTERNATIONAL CAPITAL MARKETS AND COMPANIES

#### MCA wins battle for Canadian cinema

By Robert Gibbens

AN EIGHT-MONTH battle for control of Cineplex Odeon is over. The winners are the Bronfman family of Montreal and MCA, the big US enter-

Mr Garth Drabinsky and Mr Myron Gottlieb, who built Cineplex into North America's second-largest cinema group, failed last week to find financ-ing to take the company over. Mr Allen Karp, a lawyer who has headed Cineplex's theatre operations since 1986, has been appointed president. He said Cineplex would dispose of non-strategic assets to reduce its US\$600m debt and

Cineplex will sell its live theatre division to Mr Drabin-sky for US\$75m. It also plans to sell its film production busi-

return to its film/exhibition

Senator Leo Kolber, representing Mr Charles Bronfman, co-chairman of Seagram, will tor. The Bronfmans own a direct 30 per cent voting interest in Cineplex and MCA 33

The mercurial Mr Drabinsky had masterminded Cineplex's breakneck expansion since 1982 when the company went public, Both Mr Bronfman and MCA have put money into

Mr Drabinsky tried to buy the Bronfman share block last April, MCA objected and the struggle for control began. Mr Drabinsky and Mr Gottlieb

will retain a small minority holding in Cineplex. Cineplex posted a net loss of US\$7.2m for the third quarter of 1989, against profit of US\$14.7m a year earlier. Reve-nues were down 16 per cent to

 Dominion Textile is investing in a joint venture to buy the commercial textiles operations of Uniroyal Goodrich Tire. The new company will be North America's largest tyre cord fabric maker.

It will bring together two Uniroyal plants in Georgia, employing 1,600 staff, with a Domtex plant near Montreal. Annual sales will be more

## De Benedetti's control of Mondadori in jeopardy

By John Wyles in Rome

MR Carlo De Benedetti today will launch a vigorous defence of his control of Mondadori, Italy's largest publishing group, in jeopardy following a dramatic change in shareholder alliances which works to the advantage of Mr Silvio Berlusconi, the TV proprietor. Accusing Mr De Benedetti of "financial activism distant

from the true interests of the company," the Formenton fam-ily, whose backing over the last 18 months has assured the Italian businessman control of a majority of Mondadori's ordinary shares, announced over the weekend that it would in future act "in full autonomy over any decisions taken

Soon afterwards Mr Beriusconi's Fininyest, which owns
15 per cent of Mondadori,
pledged its full support for the
family. Furious that until now

MERRILL LYNCH has launched a London-listed fund

designed to invest in the bonds

of developing country sover-eign governments, particularly

in Latin America.
It has placed 3.75m shares at

\$20 each in the Sovereign High Yield Investment Company.

Investment will be concen-

trated in sovereign bond issues

that have never been re-

scheduled. Such bonds are esti-

mated to total some \$11bn

the countries concerned.

By lan Rodger in Tokyo

PROFITS of Japan's leading

lectric power utilities declined

in the six months to the end of

September because of higher

fuel costs and rate cuts.

Tokyo Electric Power's pre-

tax profit fell 24.8 per cent to Y78.3bn (\$547m) following the

cuts in power rates which aver-

aged 3.11 per cent and came

into effect in April Sales rose

3.6 per cent to Y2,031.9bm.

For the full year, the effects

of these trends are expected to

about 3 per cent of the debt of

Despite repeated reschedul-

By Stephen Fidler, Euromarkets Correspondent

he has been denied any role in Mondadori, Mr Berlusconi said he looked forward to a management which would not only raise Mondadori profits but exploit complementary busi-ness aspects, "especially with the medium of television."

Mr Berlusconi may have options to buy-out the Formen-ton family's 25.7 per cent shareholding. However, the family will not be free to sell until the end of next year, when its pact with Mr De Benedetti formally expires. Mr Berlusconi already has

an option on the 24.6 per cent owned by Mr Leonardo Mondadori, son of the company's founder, who has promised to act with the Formenton family. But even indirect control of Mondadori by Mr Berlusconi would raise political and social issues in Italy over concentra-

Third World bond fund formed

ings of governments' debt to banks in Latin America, it has

default on their foreign bond

Stevens & Clark will be invest-

ment adviser, is expected to pay a dividend to yield some 13

per cent. Since many of the

securities trade at a substan-

tial discount to par, the return is expected to increase as the

instruments mature. On Sep-tember 30, indicated yields on foreign bonds issued by large Latin American countries

Japanese power groups hit by fuel costs

be worse, with Tepco forecast-

ing a 35 per cent tumble in pre-tax profit to Y180km.

which serves the Osaka area, said pre-tax profits fell 1.9 per cent to Y56.5bn, despite a 2.7

per cent rise in sales to

YL056.4hn. Power sales rose 4.8

per cent to 56.95bn kilowatt-

Net income fell 27.3 per cent to Y21bn, mainly because of a

provision of Y5.2bn for water

Kansai Electric Power,

The fund, for which Scudder,

tion of power in the media However, with the main bat-tles possibly yet to come it is unclear whether an alliance between Messrs Berlusconi and Mondadori and the Formenton mondation and the Formenton family will be enough to secure firm control. Having a majority of the Amer financial holding company, they control 50.3 per cent of Mondadori's ordinary stock. This should give them a board majority and control of the measurement.

the management. But Mr De Benedetti owns 71 per cent of the publisher's privileged shares and 42 per cent of totally issued capital. Apart from mounting a legal attack on the Formentons, Mr De Benedetti is ready to use this position to call an extraordiparking of the control of Mondadori.

An activation and force through a capital increase which could give him undisputed control of Mondadori.

ranged between 13 per cent for Mexico and 23 per cent for Bra-

The fund is aimed mainly at

private investors outside the

US. Initial investments will

concentrate on bearer bonds with maturities of up to three

The fund will not invest in

the bank debt of these coun-

tries, which often trades at a substantial discount, and

bonds such as those offered

under the current Mexican

shortages. For the year, the

company expects pre-tax profit to fall 13.3 per cent to Y130bn. Chubu Electric Power,

which serves the Nagoya area, recorded a pre-tax profit of

Y45.8bn in the half year, down

29.1 per cent, although sales

rose 2.9 per cent to Y855.4bn. Power sales rose 6.2 per cent to

The company expects the year's pre-tax profits to plunge 40.9 per cent to Y90bn.

6.7bn kWh.

#### **Pacificorp** in bid for electricity business

By Janet Bush in New York PACIFICORP, the Oregon-based utility, has offered to acquire Pinnacle West Capital, a utility holding company, in a bid which could be worth as

bid which could be worth as much as \$4.26bn.

The offer follows a previous bid by Pacificorp for Arizona Public Service, an electricity company owned by Pinnacle West, for \$2.08bn. Pinnacle West, based in Arizona, had not responded to this offer, but no official for the company. an official for the company said the board would consider

said the board would consider the latest proposal.

The complex offer may include the assumption of \$2.3bn in mortgage bonds. Without the bonds, the deal could be worth up to \$1.96bn, according to analysts quoted in US press reports.

Announcing the offer, Pacificorp said that it would be willing to talk to Pinnacle West about providing cash or interim credit to support its MeraBank subsidiary, one of the largest insolvent thrifts in the US, until its acquisition received regulatory approval.

MeraBank needs a cash infusion of \$510m by Thursday of

sion of \$510m by Thursday of this week to meet new regula-tory standards.

The troubles at MeraBank put Pinnacle West under some pressure. Pinnacle has said in the past that it may consider filing for protection from its creditors under Chapter 11 of the bankruptcy code as one way of meeting its cash needs. Pacificorp is interested in Pinnacle mainly because it wishes to acquire three Arizona utilities, to expand its considerable utility operation.

This spans seven north-west and south-west US states. After its \$1.8bn acquisition of Utah Power in January, Pacificorp became the 12th largest US utility by revenue. Socanav, the new owner of the Steinberg food distribution business in eastern Can-ada, has put its US food unit up for sale, writes Robert Gibbens in Montreal.

The 24-store Smitty's Super Value regional grocery chain in Arizona was acquired by Steinberg nearly 10 years ago. Analysts estimate it could fetch around C\$200m (US\$172m), net of debt.

## Ferruzzi in L3,600bn deal to share Italian insurer

By John Wyles

MR Raul Gardini's Ferruzzi Group agreed at the weekend to share control of La Fondiaria, one of Italy's top five insurers, in a L3,600bn (\$2.74bn) deal with Mr Camillo De Benedetti, a cousin and business ally of Mr Carlo De

The agreement, Italy's largest so far in the financial services sector, will significantly strengthen the Ferruzzi group's consolidated balance sheet next year and promises stronger shareholder support for La Fondiaria's expansion

into European markets.
Ferruzzi Finanziaria (Ferfin) will sell its 51 per cent stake in La Fondiaria to Gaic, a holding company 43 per cent controlled by Mr Camillo De Benedetti's Paleocapa, for L87,000 per share. This is a 52 per cent premium to Friday's closing

Gaic will finance the acquisi-

tion through a capital increase of L3,400bn, of which L900bn each will be subscribed by Paleocapa and Ferruzzi. Their stakes in Gaic will then be an

stakes in Gaic will then be an equal 25.5 per cent.

There is speculation in Milan that the raising of the remaining L1,600m from the market could see the Long Term Credit Bank of Japan substantially increasing its existing 2 per cent holding in Gaic.

Mr Gluseppe Garofano, managing director of Ferfin, said at the weekend that his company

the weekend that his company had not wanted to get out of insurance "but to modify our commitment because a lot of capital is needed for future growth.

According to Mr Garofano, the proceeds from the sale will enable Ferruzzi to cancel all the debts of its main holding companies, allowing borrowings to be concentrated in the operating companies. The holdings will emerge with a total liquidity of L1,700bn.
He said that next year the group's consolidated debt would fall from L8,500bn to L6,000bn, while its net worth would rise from L10,500bn to

L11,000br. Because Mediobanca, Italy's leading merchant bank, will be arranging the financing for the Fondiaria deal, the agreement is seen as restoring the insurer to the Mediobanca fold. It was snatched away nearly three years ago by Mr Mario Schim-berni's Montedison before the chemicals company fell under the control of Mr Gardini. Since Mr Camillo De Bene

detti is a vice president of Generali, Italy's largest insurer, and will now become president of La Fondiaria, the two companies may be har-nessed closely together to pro-tect Generali from a foreign

### Beijer deal faces probe as insider trading suspected

By John Burton in Stockholm

SWEDEN'S Bank Inspection Board looks poised to launch an investigation into suspected insider trading connected with a deal to be announced today involving Beijer, the big investment group. Beijer requested last week

that trading in shares of its two listed companies, Beijer Capital and Beijer Industries, be suspended until today's announcement. According to Beijer's main shareholder, the financier Mr Anders Wall, the announcement involves an unlisted company.

The inspection board, which polices the country's securities markets, plans to examine the extensive trading in recent weeks of shares in Beijer Industries. Mr Wall has

requested the probe.
According to the Stockholm bourse, trading in Beijer Industries' shares has averaged SKr1.95m (\$306,000) per day during the past month, four times the rate of trading in the company during the third quarter of 1989. Trading of shares in Beijer Capital for the period ran some 30 per cent

higher than in the third quar

But although the abnormal trading volume has created suspicions about insider trading, the share price of Beijer Industries has only climbed from SKr153 to SKr162 over the past five weeks, while that of Beijer Capital has fallen. The Stockholm bourse said

that trading in Beijer shares was suspended after consultations between the bourse and Mr Wall. A recent review of share

trading in Swedish companies involved in mergers and take-overs in 1988 showed that tradage by 44 per cent in the period prior to their bourse suspen-sion and the announcement of

• SKF, the Swedish roller bearing group, has dropped its \$104m offer for McGill Manu-facturing, a US bearings-maker, after rejection by the McGill board and a higher bid by a US rival SKF made a \$72 a share offer, the counter-bid from Banner Industries is

#### Global bond index launched by JP Morgan By Deborah Hargreaves

AMID the trend towards globalisation in the financial markets, J.P. Morgan, the US merchant bank, has announced the launch today of a global bond index covering :11 national markets.

The index will focus on bond

markets in the UK, Germany, France, Italy, Spain, Germany, the Netherlands, the US, Australia, Canada and Japan, and is composed of liquid instru-ments that can be traded quickly and in volume.

J.P. Morgan: has produced three separate subindices: benchmark, which will include only the most liquid issues; active, which will include benchmark issues with other issues of significant daily turnover, and traded, which will comprise active issues and others of good liquidity.

The bank says the index is

designed to be used by fund managers seeking either to beat the index or to replicate the performance of the compos-ite index or one of its subin-dices.

**Summary of Results** Year ended 31 May 1989

	1989	1988
Turnover	205.6m	190.4m
Profit before tax	23.4m	24.2m
Profit after tax	15.3m	14.9m
Earnings per share	30.14p	29.39p
Total dividends per share	8.60p	7.80p

Profits of the Nigerian operations were 30% higher in local currency terms. However, the naira fell against sterling from 13.3p in May 1988 to 8.6p at 31st May 1989 and this was sufficient to reduce profits from Nigeria in sterling terms compared with those of last year.

Cussons. Cussons did well in the United Kingdom with Imperial Leather soap maintaining its market position and new shower gel and bathing foam products gaining increased sales. In Australia the new factory is working well and recent product launches have increased turnover by 30%. During the year good progress was made in consolidating the position of the new operations in Thailand and Indonesia.

West Africa. In the current year further economic measures have been taken in Nigeria to tighten the credit squeeze and the naira remains at its May level of 8.6p. So far most group operations there are managing to maintain sales volumes though margins are lower. Elsewhere sales of Cussons' products continue to Improve in most areas but the necessary support for expansion and new product launches is, for the time being, likely to more than absorb any increase in profits from these operations.

Current Year. Present indications for the half year to 30th November 1989 are that group pre-tax profits will be broadly in line with those of the same period last year.







PZ PATERSON ZOCHONIS PIC. BRIDGEWATER HOUSE, 60 WHITWORTH STREET, MANCHESTER M1 6LU Africa, United Kingdom & Europe, Australia & Far East.

All these securities having been sold, this announcement appears as a matter of record only.



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#### **UK COMPANY NEWS**

## Matra will not take Ferranti stake

disposals with £12m deal

Rolfe & Nolan up 48%

MATRA, the French sums and electronics group, has denied it is interested in taking a minorality stake in Ferranti Internation. The issue — one preferred tional Signal, which has been hit by a suspected fraud.
British Aerospace, regarded as the main contender to hid

for the troubled UK electronics group, announced on Friday that it was no longer inter-ested, increasing speculation about possible alternative buy-

ers. Ferranti also revealed on Friday that institutional investors had rallied round to support

the black

with £0.59m

Flagstone Holdings, formerly Cambium Venture Capital, has returned to the black with pre-tax profits of 2587,000 in the six

months to July 31, against losses of £75,000 last time. Turnover in property trading and development was £3,83m (nil) and in the River Hamble

marina £252,000 (nil). Earnings were 0.259 per share (0.099 losses). There were no extraordinary investment losses for Quality Ice (£500,000 previously) but £125,000 (£370,000) for Robert Ashby

for Robert Ashby. Current property ventures

would not result in profits

until next year, it was, there-fore, anticipated that there-might be a trading loss in the second half of this year.

FT Share Service

The following securities were added to the Share information Service in Saturday's edition: Elan Corporation (Section: Industrials). FBD Holdings (Insurance). Harriey Baird (Third Market). L& S Optimum Income Trust (Ord. & Zaro.

Income Trust (Ord. & Zero Div. Pref. shs.) (Investment

Trusts). Vardy (Reg) (Motors-

The issue - one preferred share for each ordinary held will take place in February next year, unless there is a bid for Ferranti, or outside investors subscribe at least £150m of new equity cantral before then.
Thomson-CSF, another
French defence group, which
had earlier considered a joint offer with BAe, is still in the

running to bid for Ferranti. Other contenders are headed by Daimler-Benz, the West Ger-

HESTAIR, the personnel services and consumer products group which is facing a £167m hostile bid from Adia, a

Swiss counterpart, has sold one of its consumer products subsidiaries for £11.65m. The disposal of Hestair Hope, a mail order distributor of edu-

cational supplies and manufac-turer of personal stationery, is the first step in a programme of disposals from the consumer products division and reflects

the group's strategy of concen-trating on personnel services. Kiddicraft, toys manufacturer,

is also up for sale. Hestair Hope is being bought

ROLFE & NOLAN Computer

Services has increased its pre-tax profits by 48 per cent from £350,900 to £517,000 in the six

months to August 31.

Turnover did not show the same level of growth, but

improved 19 per cent to £2.25m (£1.89m). At the year-end cash halances totalled £1.91m

(£1.59m). Combined with high interest rates, this resulted in doubled receivable interest at

£107,000 (£53,000).

Opening Today
Izumi Europe Limited

Access to the

**Japanese Securities Market** 

Flagstone in Hestair starts consumer

By John Ridding

man manufacturer, which has been talking with international partners about taking a joint minority stake once Ferranti's future is clear. Matra - and General Electric Company of the UK - were thought to be among those possible partners, but the French group said it was not involved.

Some 748.5m preferred shares will be offered in the standby rights issue at 25p each, against Friday's closing price of 40p for the ordinary shares. The preferred shares will carry generous terms, giv-

by Fine Art Developments, maker of greeting cards and mail order merchandise. Prior to the sale, Hestair Hope's

£10m cash surplus was trans-ferred back to Hestair in order

to put Hope in a neutral cash and interest position.

Hope's profit before interest

and tax is estimated at £1.68m on sales of £19.6m for the year

to end January. Net assets should be a minimum £3.5m. Mr Dermot Colman, analyst

at Barclays de Zoete Wedd,

said that the multiple that Fine

Art was paying for Hope was "very much the sort of valua-tion" he had been expecting.

With a 35 (40) per cent tax charge which took £181,000 (£140,000), earnings rose 59 per cent to 12.9p (8.1p). The interim

is lifted by more than 50 per cent to 3.2p (2.1p).

Mr Tim Hearley, chairman of this USM-quoted futures and

options computer bureau and

software specialist, said that the volume of business trans-

acted on the financial futures

and options markets had run at record levels in the period.

ing holders the right to two votes per share at Ferranti's general meetings, and twice the dividend payable on ordi-

nary shares.

The emergency facility has been fully underwritten by Baring Brothers, the securities house, and institutional inves-tors including British Coal Pension Funds, Electra Investment Trust, Globe Investment Trust, Guardian Royal Exchange, Legal & General, Phillips & Drew Fund Manage-ment, Postel and Prudential

European

for Wagon

Midlands Correspondent

WAGON INDUSTRIAL, the

West Midlands based engineer-ing, materials handling and office equipment group, is making further inroads into

Continental Europe with the acquisition of Forkardt, a pri-

vately owned West German

engineering company, for DM 25.25m (£9.05m) in cash and

The move comes soon after Wagon's first foray into Europe in March, when it purchased

La Ferretera Vizcaina, a Span-ish engineering company, for

£7.5m.
Forkardt is a leading maker
of power chucks and related

products for machine tools, but also has a range of other spe-

cialist products including hydraulic shock absorbers. Wagon believes the company

will fit neatly into its engineer-

ing division, which is at present dominated by Oleo Pneumatics, a manufacturer of large

hydraulic shock absorbers used in railway buffers and

Within the purchase price Wagon is taking on share-holder loans of DM 7.95m.

shares.

By Richard Tomkins,

purchase

## By Andrew Hill MR NICK Oppenheim has taken over from Mr Colin Emson as chairman of Dewey Warren Holdings and will coordinate the sale of the shell company, which has cash reserves of some 244m.

Dewey announced ten days ago that the agreed plan to reverse Robert Fraser, the private merchant bank, into the group had fallen through. Mr Emson is chief executive of Robert Fraser, which owns 29.9 per cent of the quoted company.

**Oppenheim** 

as chairman

takes over

at Dewey

company.
At the same time, Dewey At the same time, Dewey announced it had appointed Charterhouse Bank to find a buyer. Dewey is thought unlikely to agree a deal which does not offer shareholders a cash alternative, and hopes to have settled on a buyer by January. The company's shares closed on Friday at 119p. At that price Dewey is worth £62m, but some believe it could realise as much as 140p or 150p a share. 140p or 150p a share. The latest circular to share-

The latest circular to share-holders reveals that the loan book of Argyle Group — Dewey's secured consumer loan subsidiary — has increased from £61m to £91m since the group was bought for £28m in February. By the end of December, Dewey will have invested more than £18m in Argyle.

#### James Smith ahead

In the half year ended September 24 1989 James Smith Estates lifted pre-tax profit from £315,000 to £541,000, after substantially increased interest charges of £207,000, against £86,000. Turnover rose from £527,000 to £896,000. Earnings came to 2.46p

(1.56p) per share, and the interim dividend is 1p.

## Jeyes Group calls for £7m to set up expansion programme

By Clare Pearson

JEYES GROUP, the USM-quoted manufacturer of USM-quoted manufacturer of household cleaning products including Jeyes Fluid and Parazone bleach, is making a one-for-three rights issue at 230p per share, raising about £7m.

The proceeds are earmarked for acquisitions, development (especially of "green products") events and (especially of "green prod-ucts"), expansion overseas, and a venture into the marketing of industrial hygiene and cleaning products. The announcement triggered a 16p fall in the share price on Fri-day, which closed at 270p.

acquisitions during the half year. 01 Computer Group, a London-based supplier of busi-

ness computer systems, was bought in May for an initial £1.25m in shares, Level V Dis-tribution, a distributer of Unix systems was acquired a month

later for a maximum £2m and September saw the acquisition of CPS Trader for £82,500. Lox-

ton Business Systems was acquired in November for up to

Mr Bob Morton, chairman, said that while the second half was usually stronger for busi-

ness computer companies, he was reluctant to predict that this year would follow that pat-

tern because "I have absolutely no control over the economy."

Earnings were 0.7p and the interim dividend 0.1p.

£750,000.

Reflecting shares issued in its placing on the USM last October, and a rising tax charge, the company is fore-casting static earnings per share of 15.8p for 1989. This is assuming an increase in pre-tax profits to not less than £2.1m (£1.6m). Some £1.5m of the rights pro-

ceeds is to be used for a firsttime venture into the market-ing of Jeyes Group industrial cleaning products. These used to be channelled through Jeyes Hygiene, the sister company taken over last month by Uni-

Jeyes also says that two acquisitions under negotiation will absorb about a quarter of the proceeds. A similar amount is earmarked for other purchases in core business areas. In March, Jeyes purchased Wet Ones, the range of moist wipes, from Sterling Health.

Furthermore Jeyes plans to develop the markets in the US, Japan and Australia for its products, and to increase capacity for production of a new range of environment-friendly items.

#### **Reliance Security profit Expanding** Vistec hits growth and acquisition £1m midterm

WITH THE benefit of strong growth in its sector of the mar-ket, Reliance Security Group Vistec, the computer systems, reported pre-tax profits of £1.1m for the six months to October 31 on turnover of £17.3m. As all the components increased pre-tax profit by nearly 33 per cent for the half year ended October 6 1989. Mr Brian Kingham, chairof the group have been acquired since October 1988 man, expected market growth to continue, and claimed the group was well positioned to exploit that and meet its there are no comparable fig-Vistec made three further

'ambitious objectives". He also announced the acquisition for a maximum £1.4m of Opensquare, which provides manned security services throughout Tyne and Wear, Teesside and Yorkshire. In the half year Reliance profit came to £1.02m (£772,000)

on turnover ahead 21 per cent to £19.85m (£16.35m). With earnings at 6.5p (4.9p) the interim dividend is 1.8p (1.5p). The half year saw a record increase in new business vol-ume and that was continuing into the current period.

Acquiring Opensquare will bring increased local expertise to existing operations in the north east. Initial consideration is £917,600 to be satisfied in £250,000 cash and the issue of 513,564 shares. Further profit-related consideration up to \$500,000 can be paid, in shares.

For the year ended July 31 1989 Opensquare's profit was £132,000 on turnover of £2m.

#### York Trust grows to £5m

**BOARD MEETINGS** 

YORK TRUST increased its pre-tax profit from £2.04m to £5.18m in the half year ended

September 30 1989.
And the second half started well despite increased market volatility and high interest rates, said Mr Neil Balfour, the chairman and chief executive. He looked for further expansion in all core activities over

The expanded group pushed

The following companies have notified dates of board meetings to the Stock Exchange, Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interine or finals and the subdividends are interine or finals and the subdividends shown below are based mainly on less tested themstates.

TODAY

and operating profit to £7.56m (£4.62m). Interest charges were substantially higher at £2.68m (£1.3m) but there was no provision against loss from discon-

(£1.53m). Earnings rose to 3.6p (2.7p) and the interim dividend is again 1p, but at a cost of £1.27m (£710,000) following the increases in the capital.

tinued operations this time

#### This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange. It does not constitut offer to, or an invitation to any person to subscribe for or purchase shares. Application has been made to the Council of The Stock Exchange for the whole of the Ordinary share capital of Prospect Industries PLC, issued and now being issued, to be admitted to the Official List. Dealings are expected to commence on Monday, 11th December, 1989. PROSPECT INDUSTRIES PLC

(Incorporated in England and Wales under the Companies Act 1985 - Registered Number 2343811)

to shareholders of Tace plc and to Prospect Employees

65,630,000 Ordinary Shares of 5p each in Prospect Industries PLC at 10p per share payable in full on application

> The Offer has been fully underw TRANWOOD EARL & COMPANY LIMITED

SHARE CAPITAL

£4,375,000

in Ordinary Shares of 5p each

**Issued** and to be issued fully paid following the Offer £3,281,500

Prospect Industries PLC is a new holding company with three principal subsidiaries, whose businesses are the design, manufacture and sale of specialised products for the engineering industry. Full particulars relating to the company are available from the Extel Statistical Services and copies may also be obtained during normal business hours up to and including 18th December, 1989 from:

Two Parliament Street, Holl HU1 2AP.

123 Sloane Street

London SW1X 9BW,

Prospect Industries PLC, Tranwood Earl & Company Limited, Charlton Seal Schaverien Limited, P.O. Roy 512

76 Cross Street

and during normal business hours on 4th and 5th December, 1989, from the Company Annou Office of The Stock Exchange, 46 Finsbury Square, London EC2A 1DD (for collection only).

## **| 1506661333118117135611111978876111798878773887773687877222388**

## ALLIANCE LEICESTER

Alliance & Leicester **Building Society** 

£200,000,000 Floating Rate Notes 1993

In accordance with the provisions of the Notes, notice is hereby given that, for the three month period, 30th November, 1989 to 28th February, 1990, the Notes will bear interest at the rate of 15½ per cent. per annum. Coupon No. 16 will therefore be payable on 28th February, 1990 at £3,791.10 per coupon from Notes of £100,000 nominal and £189.55 per coupon from Notes of £5,000 nominal.

S.G. Warburg & Co. Ltd. Agent Bank

This advertisement is issued in accordance with the regulations of the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange"). Application has been made to the Council of The Stock Exchange for all the ordinary shares of £1 each and the 6.428% rising to 9.5% cumulative redeemable preference shares of £1 each in East Surrey Water plc, to be converted from the Company's existing stock and to be allotted pursuant to the Conversion and Reorganization, to be admitted to the Official List, It is expected that admitssion to the Official List wit become effective and that dealings in the ordinary shares and preference shares will commence on 12th December 1909.

(Incorporated in England on 30th June 1862 by The Caterium Spring Water Company's Act 1862. Registered No. 233) PROPOSED CONVERSION TO A PUBLIC LIMITED COMPANY

CAPITAL REORGANISATION

ordinary shares of II each 6.428% rising to 9.5% cumulative redeemable preference shares of II each deferred shares of II each 4.2% (former) 6%) redeemable preference stock 1984 on

preference stock 1985/90

The Circular relating to the proposed Conversion and Reorganisation will be available in the statistical services of Extel Financial Limited from 4th December 1989. Copies of the Circular may be obtained during issual business hours, excluding Saturdays and public hold to and including 6th December 1989 by collection only from the Company Announcement Office, The Stock Exchange, 46-50 Finsbury Square, London EC2A IDD and up to and including 18th December 1989 from:

Chatterborne Bush

9 from:
East Surrey Water Company
London Road
Redbill
Surrey
RH1 1LJ

· Myster M

Dealings are expected to commence on 7th December, 1989.



Williams de Broë Limited

Authorised

£625,000

Issued and to be issued fully paid £500,000

In accordance with the requirements of the Council of The Stock Exchange, Williams de Broé Limited and G. R. Dawes & Company Limited are placing 7,800,000 and 2,600,000 ordinary shares respectively.

New Oxford House 16 Waterloo Street

4th December 1989

6 Broadgate London EC2M 2RP

and (for collection only) up to and including 6th December, 1989 from: -

The International Stock Exchange 46 Finsbury Square London EC2

This advertisement is issued in compliance with the requirements of the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange"). Application will be made to the Council of The Stock Exchange for the grant of permission to deal in the whole of the issued share capital of Storm Group PLC in the Unlisted Securities Market. It is emphasised that no application has been made for these securities to be admitted to the Official List and that this advertisement does not constitute an invitation to the public to subscribe for or to purchase securities.

Placing by

10,400,000 ordinary shares of 1p each at 25p per share

Share capital following the Placing

ordinary shares of 1p each

Storm Group PLC is a holding company with interests in publishing, television programmes and merchandise scensing. The group's main activity is the creation and development of intellectual property rights comprising cartoon-style characters, which form the basis of an international marketing programme involving character licensing, publishing of children's books, comics and videos and related media and leisure activities.

Particulars relating to the Company are available in the Extel Unlisted Securities Market Service and copies may be obtained during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including 18th December, 1989 from:—

G. R. Dawes & Co Ltd Storm Group PLC Williams de Broë Limited

Birmingham B2 5UG

10c Hagley Road Stourbridge West Midlands DY8 1PS

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3-3-1 Izumi Europe Limited Managing Director: Mr Kunio Nishigald PEEK HOUSE, 20 EASTCHEAP LONDON EC3M 1 DR FACSIMILE: (01) 626 8371 U.S. \$50,000,000 IBM Credit Central International Limited Corporation

Floating Rate Yen Linked U.S. \$150,000,000 Notes due 1995

Floating Rate Notes due 2006 For the three months 30th November, 1989 to 28th February, 1990 the

Notes will carry an interest rate of \$.5% per armum with an interest amount of U.S. \$212.50 per U.S. \$10,000 Note and U.S. \$2,125.00 per U.S. \$100,000 Note payable on 29th February, 1990.

Bankers Trust Company, London

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In accordance with the provisions of the Notes, notice is hereby given, that for the six months interest Period from December 4, 1989 to June 4, 1980 the notes will carry an interest rate of 8%% per annum. The amount payable on June 4, 1990 against Coupon No. 9 will be U.S. \$426.58 per U.S. \$10,000 principal amount. Agent Bank By: The Classo Humbalian Bank, M.A.
Loadon, Agent Bank CHASE December 4, 1969

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## FT UNIT TRUST INFORMATION SERVICE

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FT UNIT TRUST INFORMATION SERVICE LONDON SHARE SERVICE Offer Years City-LOANS **BRITISH FUNDS BRITISH FUNDS-Contd** Bridge Sissuppore Acast Magnes 1 Ltd
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	LONDON SHARE SERVICE	<ul> <li>For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT</li> </ul>
AMERICANS - Contd BUILDING, TIMBER, ROADS -	Marked Price Div   Y'ld Last Dividents City- Barket Price Div   Y'ld Last Dividents City-	INDUSTRIALS (Miscel.)—Contd INDUSTRIALS (Miscel.)—Contd.  Industrial Shart Price Bit   Pri
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**LONDON SHARE SERVICE** 

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#### and Capital Markets

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## **MONEY MARKETS** A strong D-Mark, not a weak pound

THE TALK last week again centred on the weakness of sterling but it was much more a case of the D-Mark's strength. Wholesale interest rates rose nervously in London, but it will probably take a more general decline by the pound before UK bank base rates are forced higher.

UK clearing bank base lending rate 15 per cent from October 5

Sterling's exchange rate index fell to 86.1 from 86.7 last week, but this was mainly because the D-Mark was drag-ging up all the members of the EMS exchange rate mechanism against the pound. These are the currencies of Britain's main trading partners in the main trading partners in the European Community, but out-

**£ IN NEW YORK** 

STERLING INDEX

side the EMS the pound showed very little movement. Sterling was virtually unchanged against the dollar last week, and has not fallen very much since the resigna-tion of Mr Nigel Lawson as Chancellor of the Exchequer. The pound was getting over the shock of the Lawson resignation when events started moving quickly in East Ger-many. It is the possible threat of a dominant unified Germany and the inflationary implications for the West German economy that have pushed up the D-Mark, and as a by-product the pound has weakened.

If sterling remains steady against the dollar, the risk of importing inflation will be reduced because most raw materials are paid for in dol-lars. At the same time the UK should gain some relief for its yawning trade gap by the pound's fall against the D-Mark.

Dec.1	Back of England todex	Morgas <sup>es</sup> Gearacty Changes %
Sterling U.S Dollar Casualian Dollar Austrian Schilling Reigian Franc Danish Krose Destsche Hark Serbs Franc Grilder Freuch Franc Lira You	86.1 68.9 105.1 109.0 108.6 107.4 117.2 106.8 113.6 101.8 101.8	-24.5 -9.6 +2.2 +11.6 -4.1 +2.1 +2.1 +15.3 +15.9 -13.7 -18.5 +64.7

CUR	REN	CY RA	TES
Dec.1	Bank rate	Special <sup>o</sup> Drawing Rights	European † Currency Unit
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italian Lira Japanese Yen Karurae Krone Spanish Peseta J Swedish Krona Swha Franc Greek Drach	1348 - 200 -	1698 14 184 078 8 79635 148 124 8 23491 2 05454 210 340	1499 61 163 548 7,77623 131 032 7,28034 1 81980

CUR	REN	CY RA	TE\$
Dec.1	Bank rate %	Special* Drawing Rights	European † Currency Unit
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# Sterling quote v Enrogram Cam * All SDR rates	mission	Calculations.	ECU per £

CURRENCY	MOVE	MENTS
Dec.1	Back of England Index	Morgazon Guaranty Changes %
Sterling U.S. Dollar Casadian bellar Asstrian Schilling Reigian Franc Danish Knoe Destsche Mark Swiss Franc Grilder French Franc Lira	86.1 68.9 105.1 109.0 108.6 107.4 117.2 106.8 113.6 101.2 134.5	-24.5 -9.6 -9.6 -9.1 -9.1 -9.3 -9.3 -9.3 -9.3 -9.3 -9.3 -9.3 -9.3
Morgan Guaranty 1962 – 100, Bank of 1985 – 100)***Rates are	changes: a England Index fortior_30 ,	rerage 1980- (Base Average

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	Anstralia Brazii Brazii Finiand Greece Hong Kong Itan Korea(Sti) K	2066 - 2,0085 1,4885 - 1,1525 6,5475 - 6,830 25150 - 257,95 12,225 - 12,2355 112,10° 1047,70 - 1064,60 9,4584 - 0,4980 4,240 - 4,2375 4,155,75 - 4,198,30 2,696 - 2,656 3,0485 - 3,055 5,7895 - 5,7850 5,7895 - 5,7850	1.2805 - 1.2815 1.73110 - 7.3890 4.1950 - 4.1970 161.80 - 184.40 7.8135 - 7.8155 71.607 - 675.30 0.2980 - 0.2930 37.35 - 37.45 2.7125 - 2.7055 2.8650.00 - 2660.00 1.6935 - 1.6965 3.7515 - 3.7515 1.9480 - 1.9500 2.6020 - 2.650 3.8835 - 3.9405 2.102 - 2.650

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Jun	1.5340	1.5372	1.5332	1.542

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These secu Limited or	lther securities listed above are de- rities are desit in strictly on a ma or Granville Davies Limited are ma curities are dealt on a restricted b	tched bargain rket makers	basis. Neiti In these secu	er Grann rities.	ilk & G	۵.
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			- FC	RWA	RD	<u>AGAI</u>	_			<u>LA</u>
Dec.1		Day's pread		Clase	On	e manth	% p.a.		ree oths	ρ.i.
UKr relandi Canada Recherlandi Serolandi Serolandi Denmark J Gerouary Fortugal Joralo Jorald Joralo Jorald Joralo	1477. 1163. 2004. 37.2 6.6 1.775. 154.8 1310. 6.3 142.9 12.52. 1.589. 1.136.	ts annin to	1.47 1.16 2.00 37 1.78 1.55 1.18 1.18 1.18 1.18 1.18 1.18 1.1	55 - 1 566 55 - 1 480 56 - 1 480 57 - 1 480 58 - 2 010 58 - 2 010 58 - 2 010 59 - 1 313 59 - 1 43 50 - 1 43 50 - 1 43 60	5 0.25 0 0.30 0 0.00 2.5 1.65 5 0.09 5 1.80 1.80 1.50 5 0.27 1.50 0 0.25 0 0.25	4-0.82cpm 7-0.22cpm 3-0.34cris 1-0.02cpm 0-4.50cris 3-00cresi 3-00cres 3-8-68cris 4-90lires 4-90lires 4-90lires 1-0.25cpm 1-0.25cpm 1-0.25cpm 1-0.25cpm	1,99 3,55 0,112 0,54 0,54 0,54 0,54 0,54 0,54 0,54 0,54	1.17 1.05 1.05 11.00 5.25 0.10 33 182 14.00 6.25 0.20 0.21 0.72	-2. 49pm -1. 07pm -1. 11dh; -1. 11dh; -2. 75dh; -3. 75dh; -3. 75dh; -3. 75dh; -3. 75dh; -3. 75dh; -6. 65dh; -6. 65dh	673-94-39-31-90-22-2-2-2-2-2-2-2-2-2-2-2-2-2-2-2-2-2
		Ę	CHA	NGE	CR	SS I	ATE	S		_
	£	5	DM	Yes	F Fr.	S Fr.	H F1.	Lira	C S	Вя
Dec.I	•			_		0.400	3.148	2056	1.825	SR
Dec.1	1 0.639	1.566 1	2.790 1.782	224.0 143.0	9.530 6.086	2.495 1.593	2010	BB	1.165	31. 37.

E	JRO-CL	RRENG	CY INTI	EREST	RATES	
Dec 1	Short term	7 Days notice	Ode Month	Three Months	Stx Magniths	One Year
Sterling US Dollar Con, Dollar Con, Dollar D Gollder Sw. Frant Dentschmark FF. Frant batlan Lira S. Fr. (Fin) S. Fr. (Fin) Fo. Do. Kyone Belan SSlog	81-93 81-75 84-84 102-104	15-14% 812-83% 124-81% 81-77% 134-121% 911-121% 911-911 61-61% 124-121% 81-82%	51-85 124-85 124-85 124-85 121-131 131-131 131	154 89-85 126-164 126-164 86-75 813-125 131-125 131-125 131-125 131-125 131-125 131-125 131-125 131-125 131-125 131-131 131-13	218-48-58-58-58-58-58-58-58-58-58-58-58-58-58	141-14 81-8 116-11 81-8 81-8 101-12 101-9 101-9 61-61 118-11

11.00 am Decl)	3 montas US dollars	6 menths	US Dellars
bid 83 <sub>8</sub>	offer 8½	b#d 81 <sub>4</sub>	offer 81

	M	ONE	/ RAT	'ES		
NEW YORK			Treasury	Bills and	Bonds	_
(4pm) Prime rate	10h T	ne mouth ro mouth ree asouth x pasth us year		7.39 Four: 7.78 Five: 7.75 Seven 7,66 10-ye		7.75 7.70 7.80
Decl	Oversight	One Month	Two Months	Tiree Mosths	Şiz Montis	Lombard Intervention
Frankfisht Paris	7.65-7.75 103-103 64-74 8.25-8.37 64-63 124-124 6.95 94-10	7.95-8.10 102-102 75-74 8.40-8.50 65-62 124-134 91-94 102-114	7.95-8 15 104-104 - - - 114-114	8.00-8.15 102-10E 75-77 8.40-8.50 68-63 124-134, 92-104 118-118	8 05-8.25 10 3-10 3 12-12 4	8.90 9.50 - - - -
	OND	ON MC	DNEY	RATI	<b></b>	
Dec 1	Oversight	7 days notice	One Month	Three Months	Six Months	One Year

Dec 1	Oversight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer Inter bank Bid Sterrling COs. Local Authority Deps. Local Authority Bends Discount Mith Deps. Company Deposits Finance House Deposits Finance House Deposits Finance House Deposits Sank Bills (Buy) Bank Bills (Buy) Dollar CDs. SDR Linked Dep. Offer SDR Linked Dep. Bid EGU Linked Dep. Bid EGU Linked Dep. Bid EGU Linked Dep. Bid	15 kg 14 kg 15	15 14H 15 145 145 15	1915 - 417-148888 - 1916 1916 - 1916 - 1916 1916	15151 - 252 15151 1558 9 8 110	1515 - 1515 - 1518 1515 - 1515 - 1518 1515 - 1518 1518	144 145 144 144 144 145 - 8.08 9 81 105
Treasury Bills (sell); one-month 144, per cein discount 14.5739 p.c. E. 1989. Agreed rates for Schemes II & III: 16.43 Scheme IV&V: 15.148 pd days filted. Finance Hossmis at seven days notice over held under one mondesit; six-nine months 1.3 from Oct 9,1989. Depo	t; three mo iCGD Fixed period Dece p.c. Real Au .c. Local Au .c. Local Au .es Base Ra .es Base Ra .es Der cent. ( th 11½ per o per cent; ala	aths 14% p Rate Steril mber, 26 19 ence rate fo therity and tie 15½ fro Certificates cent; one-to re-twelve mo	er cent; Tro ng Export F 89 to Janua Ir period No Finance Hoo Period Tax Depo ree months 1 3 per	paguny Bills; Inance, Ma ry, 23, 199 w.1, 1989 to uses seven r 1, 1989; skt (Series 6; L3 per cent; cent: Under	Average to ke up day k 0, Scheme I: o November, ays' sotice, Bank Depos j; Deposit £1 three-six m	nder rate of lovember.30 15.87 p.c., 30 , 1989 others sever it Rates for 00,000 and outlis 13 per

BANK OF ENGLAND TREASURY BILL TENDER

Allotracet at minimum level	78%	31%	Miciona ac	epted 140 182 d	ays £93.02	9 293.115
WEEKLY C	HANGE	IN W	ORLD	INTER	EST R	TES
LOHDOM Base rates Gay februsek Journal tear rank Based 2 Gifte Based 3 Bills Based 4 Gifts J Satta 7 recent Bills J Satta Base Exils TOKYO Gae meenth Bills Three cross Bills Three counts Three month Amisternam Gae resenth Three month	Dec.1  15  15  15  15  14  14  14  14  14  1	change Unch'd +1 +0.1296 Unch'd Unch'd Unch'd Unch'd Unch'd +1 +6 +6 +6 +6 +7 +9.06	6 jikti. Tre 3 Meti. CD FRANKFUR Londbard One meti. in Three soon PARIS intervention	states and	0ec.1 10½ 87,80 7,80 7,80 8,00 7,80 8,00 7,80 8,00 10½ 10½ 11½ 11½ 11½	change  Unch'd +0.08 +0.09 +0.155  Unch'd +0.400 Unch'd Unch'd -1q  +5 Unch'd -1
CHICAGO U.S. TREASURY ROUBS OF SUCCESSION STATES OF 180%			JAPANESE Y12.5m S			
Sep	High Low 99-24 99-14 99-23 99-15 99-16 99-09 99-07 99-00 98-25 98-21 98-15 98-11	Prev. 99-15 99-08 98-30 98-20 98-10 98-10	Dec Mar Jun	n vatt	0.6996 0.6 0.7027 0.71 0.7052 0.71	706 0.7043
Sep Dec 97-22	: :	97-17	DW125,000	\$ per DEL		
Mar 97-14	: :	97-09	Des Mar Jos	0.5600 0.5602	Nee 1 0.5616 0.5 0.5617 0.5 0.5610 0.5	09 Pres. 975 0.5618 977 0.5620 900 0.5615
O.S. TREASURY RELLS CO. Size points of 100%						
Cose Dec 92.61 Mar 93.55	15 62 97 97 High (0#	Prev. 92.61 93.36	THREE-1801 Size points	ef 190%.		
Jan 93.53 Sep 93.48	91.65 92.36 93.54 93.48 93.48 -	938 94 94	Dec Mar Jun Sep Dec Mar Jun Sep	Clear 91.64 92.23 92.25 92.26 91.96 91.87 91.74 91.65	91.66 91 92.27 92 92.39 92 92.39 92 92.00 91 91.88 91 91.75 91 91.67 91	97 91.93 84 91.82 71 91.69
SWISS FRANC COME SF: 125,000 S per SF:			STANDARD \$500 times	& P908S 500 index	DOEX	

					Sep		91.65	41.67	91.61	91.61	ı
WISS FRA Fr 125,000	MC COMO S per SFr				STAR \$500	naro & Unes in	79085 50 fex	O DOEX			l
et iar po ip	0.6254 0.6254 0.6260 0.6264 0.6269	0.6295 0.6295 0.6292	0.6249 0.6257 0.6255	Prev. 0.6284 0.6292 0.6295 0.6300	jm Na Na		251 50 351 50 355,90 359,90	High 353.30 357.70 361.50	348.00 352.30 356.50	Pres. 347-50 351-95 355-90	
(CARELPE 1,250 (cm	事では	OPTIONS									ļ
Strike Price 1509 1505 1550 1550 1650 1650 rrices day's	0es 6.65 3.64 1.75 0.62 0.12 0.05 5 open las: 1	Jan 6.25 4.10 2.45 1.35 0.70 0.51 0.16 Cots 362	62 43 3.0 19 11 07 04	21 6 26 - 4 25 2 19 1 10 0	11 25 156 156 157 157 162 (All carried)	Dec 0.04 0.19 0.79 0.70 2.20 4.21 6.53 8.93 socies)	Jan 0 52 1.15 2.16 3.62 5.45 7.56 9.79	Perts 1	66 53 43 58 510 88 87 97	1827 2-28 3-26 4-56 6-10 7-86 9-80 11-79	

I	NATIONAL AND REGIONAL MARKETS		FRED	AY DECEI	(DER 1 198	9		THURSDA	Y NOVEMBE	R 30 1969		LLAR REDE	5X ;•:
	Figures in parentheses show number of stocks per grouping	US Dollar Index	% change since Dec.30 '88	Pound Sterling Index	Local Currency Index	% change local cur- rency since Dec.30 '88	Gross Div. Yield	US Dollar Index	Pound Sterling index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
	Australia (85) Austria (19) Belgium (63)	146.05 148.83 148.05	+1.1 +55.1 +9.6	138.27 140.91	124.44 138.03 136.92	+ 10.5 + 55.7 + 10.0	5.46 1.76 4.05	144.56 148.07 147.15	136.60 139.91 139.04	122.88 137.68 136.26	160.41 172.22 148.05	128.28 92.84 125.58	143,61 97,93 133,43
	Canada (122) Denmark (36)	150.08 232.21	+ 19.5 + 36.3	140.17 142.09 219.84	128.77 218.31	+ 16.8 + 37.3	3.21 1.45 2.60	149.81 229.84 121.79	141.56 217.18 115.09	126.22 216.47 107.30	154.17 232.21 159.16	124.67 165.35 118.83	121.92 155.92 139.83
	Finland (26) France (126) West Germany (96)	123.14 142,86 106.99	-5.9 +24.2 +21.6	116.58 135.25 101.29	108.43 136.36 99.12	- 5.2 + 24.7 + 22.2	2.73 2.73 2.11 4.88	141.17 104.46 115.94	133.39 98.71 109.56	134.41 96.64 116.34	142.86 106.99 140.33	112.57 79.58 86.41	110.87 86.54 111.01
	Hong Kong (48) Ireland (17) Italy (97) Japan (455)	116.38 166.88 92.31 195.38	+4.1 +26.6 +8.4	110.18 157.99 87.39	116.76 158.88 90.50 176.61	+4.2 +28.7 +9.0 +16.7	2.79 2.52 0.46	165.29 92.13 196.33	156.19 87.06 185.51	157.85 90.24 177.34	166.88 96.73 200.11	125.00 74.97 164.22	131.66 86.55 190.45
	Malaysia (36) Mexico (13) Natherland (43)	207.79 284.91 134.10	+2.0 +44.8 +76.0 +19.3	184.97 196.73 269.73 126.96	216.44 827.03 123.00	+ 44.6 + 104.3 + 19.7	2.45 0.63 4.33	207.09 285.39 132.95	195.69 269.67 125.62	215.51 828.44 121.84	209.22 326.61 134.10	143.35 153.32 110.63	140.08 178.76 108.99
	New Zealand (18) Norway (24) Singapore (26)	75.76 180.00 164.96	+ 12.1 + 29.6 + 31.9	71.73 170.41 156.17	68.19 166.38 148.16	+ 19.7 + 34.4 + 32.2	5.24 1.64 2.02	75.45 178.96 165.41	71.29 169.10 156.30	67.93 165.47 148.22	88.18 198.39 170.62	62.64 139.92 124.57	68.67 128,59 118.83
1	South Africa (60)	174.67	+ 49.5	165.36	149.73	+52.4	3.80	169.26	159.94	145.95	174.67	115.35	125.75

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Austria (19)	148.83	+55.1	140.91	138.03	+ 55.7	1.76	148.07	139.91	137,68	172.22	92.84	97.93
Belgium (63)	148.05	+9.6	140,17	136,92	+ 10.0	4.05	147.15	139.04	136.26 ·	148,05	125.58	133.43
Canada (122)	150.08	+ 19.5	142.09	126.77	+ 16.8	3,21	149.81	141.56	126.22	154,17	124.67	121.92
Denmark (36)	232.21	+36.3	219.84	218.31	+37.3	1.45	229.84	217.18	216,47	232.21	165.35	155.92
Finland (26)	123,14	-5.9	116.58	108.43	-5.2	2.60	121.79	115.09	107.30	159.16	118.83	139.83
France (126)	142,86	+24.2	135.25	136.36	+ 24.7	2.73	141.17	133.39	134.41	142.86	112.57	110.67
West Germany (96)	106.99	+21.6	101.29	99.12	+ 22.2	211	104.46	98.71	96.64	106.99	79.58	86.54
Hong Kong (48)	116.38	+4.1	110.18	116.76	+4.2	4.88	115.94	109.56	116.34	140.33	86.41	111.01
Ireland (17)	166.88	+26.6	157.99	158.88	+28.7	2.79	165.29	156.19	157.85	166.88	125.00	. 131.66
Italy (97)	92.31	+8.4	87.39	90.50	÷9.0	2.52	92.13	87.06	90.24	96.73	74.97	86.55
Japan (455)	195.38	+20	184.97	176.61	+ 16.7	0.46	196.33	185.51	177.34	200.11	164.22	190.45
Malaysia (36)	207.79	+44.8	196.73	216.44	+ 44.6	2.45	207.09	195.69	215.51	. 209.22	143.35	- 140.08
Mexico (13)	284.91	+76.0	269.73	827.03	+104.3	0.63	285.39	269.67	828.44	326.61	153.32	- 178.76
Netherland (43)	134.10	+ 19.3	126.96	123.00	+ 19.7	4.33	132.95	125.62	121.84	134.10	110.63	108.99
New Zealand (18)	75.76	+ 12.1	71.73	68.19	+ 19.7	5.24	75.45	71.29	67.93	88.18	62.64	68.67
Norway (24)	180,00	+29.6	170.41	166.38	+34.4	1.64	178.96	169.10	165.47	198.39	139.92	128,59
Singapore (26)	164.96	+31.9	156.17	148.16	+32.2	2.02	165.41	156.30	148.22	170.62	124.57	·· 118.83
South Africa (60)	174.67	+ 49.5	165,36	149.73	+ 52.4	3.80	169.26	159.94	145.95	174.67	115.35	125.75
Spain (43)	158.26	+6.7	149.84	137.88	+8.3	3.80	158.76	150.01	138.01	169.75	143,14	149.80
Sweden (35)	170.41	+ 17.9	161.34	160.89	+22.7	2.13	171.24	161.81	161.93	188.94	138.45	138.17
Switzerland (64)	92.35	+ 18.3	87.43	91.18	+ 25.4	2.07	91.92	86.86	90.64	94.16	67.81	79.18
United Kingdom (304)	147 <i>_2</i> 7	+ 8.8	139.43	139.43	+25.7	4.42	145.56	137.54	137.54	158.41	133.28	137.03
USA (545)	142.17	+ 25.6	134.59	142.17	+ 25.6	3.27	140.34	132.61	140.34	146_29	112.13	110.78
Europe (993)	131,14	+ 14.3	124.16	123.01	+22.4	3.42	129.69 -	122.54	121.47	132.95	112.63	114.39
Nordic (121)	172.11	+23.2	162.94	155.42	+26.1	1.83	171.55	162.11	155,15	178.38	137.95	134.37
Pacific Basin (668)	190.44	+2.2	180.29	172.19	+ 16.3	0.70	191.24	180,70	172.79	194,72	160.44	- 185.2B
Euro - Pacific (1661)	166.81	+5.8	157.92	152.52	+ 18.0	1.57	166.69	157.51	152.27	166.98	141.56	156.90
North America (687)	142.54	+ 25.2	134.94	141.19	+25.0	3.27	140.80	133.05	139.45	146.66	112.79	111.36
Europe Ex. UK (689)	120.15	+ 18.3	113.75	112.97	+ 19.7	2.74	118.85	112.31	111.62	120.15	96.30	100.11
Pacific Ex. Japan (213)	131.24	+5.4	124.25	117,71	+ 10.3	4.90	130.35	123.18	116.75	140.06	111.93	123.65
World Ex. US (1856)	166,38	+6.6	157,52	151.85	+ 18.3	1.64	166.21	157.05	151.55	. 186.38	141,49	155.38
World Ex. UK (2097)	157.60	+ 12.5	149.20	149.45	+ 20.0	1,95	156.95	148.30	· .148.75	157.60	136.98	138.41
World Ex. So. Af. (2341)	156,54	+ 12.0	148.21	148.48	+20.3	2.15	155.83	147.24	147.70	156.54	138.67	138.35
World Ex. Japan (1946)	138.25	+ 20.5	130.89	134.02	+23.6	3.39	136.63	129.10	132.37	140.43	114,51	113.15
The World Index (2401)	156.65	+ 12.2	148.31	148.48	+20.5	2.16	155.91	147.32	147.68	156.65	136.68	138.27
Base values: Dec 31, 198 139.65 (US \$ Index), 114.	B = 100-	Elpland: (	Day 21 108	7 = 115 O	97 JUS \$ 10	day) 00 7	Of /Dougle	Starting) a	AN OUT OA AL	reaft: Nord	lic: Dec:30	: 1988 :=

CONSTITUENT CHANGES: Deletions: Telerate (US)(28/11/89) and Pearl Group (UK)(1/12/89).

		Fe	b. 90	Ma	y 90	Au	. 90	1
Series		Vol	Last	Vel	Last	Vol	Last	Stock
Gold C Gold C Gold C Gold C Gold C Gold C Gold C Gold C	\$370 \$380 \$390 \$400 \$410 \$420 \$430 \$440	65 65 230 201 100 130 34 57	48.50 38.50 32.90 25 18 13.50 9 6.50	18 10 50 4 20	36.50 30 26 a 19.10	7 - 55 3	37.50 a 22.90	\$ 414.80 \$ 414.80 \$ 414.80 \$ 414.80 \$ 414.80 \$ 414.80 \$ 414.80 \$ 414.80 \$ 414.80
		Dec	L 89	Jac	ı. 90	Feb	ı. 90	
EDE Index C EDE Index P SYFI P SYFI P	FI. 275 FI. 280 FI. 295 FI. 305 FI. 305 FI. 305 FI. 280 FI. 280 FI. 280 FI. 285 FI. 200 FI. 205 FI. 205 FI. 210	100 485 485 873 1039 634 370 36 94 198 233 205 183 101 101 97	23.50 18 19 5.50 1.30 0.40 0.50 1.20 4.50 1.45 8 3.90 8.60	7 2 16 209 200 275 214 426 190 351 50 41 212 11	26 20 15.80 h 7 4.90 2.90 2.40 3.20 5.10 7 10 9.50		15 12 9 - - - - - - - - - - - - - - - - - -	FI. 2%.88 FI. 2%.88
ABN C Aegon C Anold C BUH RAW C R.V. DSM C R.V. DSM C R.V. DSM C Hoogovers C Hoogovers C KLM C KLM C KLM C	FI. 45 FI. 120 FI. 145 FI. 140 FI. 140 FI. 55 FI. 110 FI. 130 FI. 130 FI. 130 FI. 85 FI. 85 FI. 85	120 484 97 1464 484 73 48 457 175 167 175 167 175 167 175 167 167 167 167 167 167 167 167 167 167	0.30 0.41 1.60 0.40 4.30 4.30 4.30 4.30 1.250 6.60 1.41 2.70	81 126 15 15 15 15 15 15 15 15 15 15 15 15 15	0.90 3.50 4.40 3.80 9.40 1.20 b 5.10 2.60 2.60 4 10.50 7.90 4 2.70	2 - 15 - 1 25 - 1 7 9 5 3 6 1 3 3 1 3 3 1 3 3 1 3 3 1 3 3 1 3 3 1 3 3 1 3 3 1 3 3 1 3 3 1 3 3 1 3 3 1 3 3 1 3 3 1 3 3 1 3 3 1 3 3 3 1 3 3 3 1 3	140 	F. 41.80 F. 113.50 F. 113.50 F. 135.80 F. 135.70 F. 136.70 F. 136.70 F. 136.70 F. 136.70 F. 137.70 F. 138.40 F. 138.40 F. 47.80 F. 47.80

	\$ 370 \$ 380 \$ 390 \$ 400 \$ 410 \$ 420 \$ 430 \$ 440 \$ 450	230 230 130 130 130 130	48.50 38.50 32.90 25 18 13.50 6.50	18 10 50 4 20	36.50 36.50 26 a 19.10	7 - 55 3	22.90	\$ 414.80 \$ 414.80 \$ 414.80 \$ 414.80 \$ 414.80 \$ 414.80 \$ 414.80 \$ 414.80	Allied Irish Bank 15 Co-operative Bank 95 Northera Ba  Neary Austractive 15 Couts & Co 15 Norwich Gen  Associates Cap Corp 14 Cyrres Popular Bt 15 PROVATIONAL  Anthority Bank 15 Danker Bank PLC 15 Provincial B  B & C Merclant Bank 15 Duncan Lawrie 15 Ranker Bank 15 Bank of Baroda 15 Equatorial Bank ptc 15 Rankerigle G  Bacco Bilbao Vincaya 15 Exeter Trust Ltd 15½ Rank of Sance Bilbao Vincaya 15 Exeter Trust Ltd 15½ Rank of Sance Bilbao Vincaya 15 Exeter Trust Ltd 15½ Ranker Bank of Sance Bilbao Vincaya 15 Exeter Trust Ltd 15½ Ranker Bank of Sance Bilbao Vincaya 15 Exeter Trust Ltd 15½ Ranker Bank of Sance Bank	Trust 12 es Limited . 12 es PLC 14 Sons 12 rantee 15
	FI. 275 FI. 280 FI. 285 FI. 295 FI. 305 FI. 305 FI. 285 FI. 295 FI. 305 FI. 305 FI. 205 FI. 205	100 485 687 1039 36 94 198 233 205 183 101 101	23.50 18 13 9 5.50 2.80 0.60 0.40 0.20 2.40 4.50 8 3.90 8.60	7 209 200 275 214 426 100 351 50 412 212 11	2. 90 26 20 15.80 h 19 10 2.90 1.50 2.40 5.10 7 7 9.50	Feb	90	FI. 296.88 FI. 296.88	CL Bank Heriertand 15	hesnSess. 15 rtered 15 rtered 15 Komait 15 kl Bank 15 kl 15 k Corp. 15 kl 15 k Corp. 15 kl 15 k Securities it 15 Respect neise
R-TC	FI. 45 FL 120 FI. 145 FI. 145 FI. 140 FI. 56 FI. 56 FI. 58 FI. 70 FI. 45	120 484 97 140 164	90 0.30 0.40 0.40 1 9.20 4.30 0.40 3.20 1 2.50 6.60	81 126 16 35 87 30 2 85 28 20	7. 90 0.90 3.50 4.40 3.80 9.40 1.20 b 5.10 2.60 4	Z1 - 15 - 1 25-1	90 1.40 - 4.20 - 5.89 3.60 4.70	FI. 41.80 FI. 113.30 FI. 135.80 FI. 135.80 FI. 130.70 FI. 62.40 FI. 62.40 FI. 80 FI. 65.60 FI. 45	Cithank MA 15 Michonell Dauglas Baix 15 Saverice 8.5%.  Megizal Bank Ltd. 15 instant access 12 rate. § Dermand. 15.2% 15.959	Ten Her-E10/ 18% & Westgag legask 9%. Ma
i C	#XX55446333074333538883338888877883333888 FLEETEEEEEEEEEEEEEEEEEEEEEEEEEEEEEEEEEE	#8473#857244#\$62249907575#\$51298892754	140 b 2.70 b 4.10 c 0.80 c 3.70 c 1.20 c 1.2	114 97 152 1194 - 25 178 185 185 185 185 185 185 185 185 185 18	7.90 7.90 2.70 3.70 5.40 2.70 5.70 4.30 3.40 3.40	79 33 31 33 31 21 75 114 6 18	5.20 2.80 7 a 7 b 4.20 a 5.90 a 5.90 a 4.40 4.40 4.40 4.20	F. 63.45 F. 113.76 F. 113.76 F. 13.56 F. 13.56 F. 83.46 F. 83.46 F. 47.86 F. 85.10 F. 198.50 F. 1		
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**BASE LENDING RATES** 

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**CROSSWORD** 

1 At par, yes, converted gives you your money back (6) 4 Follower lacking in disci-

pline (8)
9 They tend to hurry back before the ship rounds the point (6) 10 Lunar settlement? (8)

12 Water-carrier (8)
13 It's a struggle for an amphibian to get around (6)
15 Recklessly risk one's arm in Malaya? (4)
16 What travellers, soldiers and clerks do (4.6) and clerks do (4.6)

19 Turn and jump in amazement (10)

20 A cleaner cup is needed to hold it (4)

23 When out, Di and Joan meet (5)

23 When out, Di and Joan meet
(5)
25 The offer of money may
make him cross (8)
27 Where prompt action is
requested (3-5)
28 Top style musical party (4-2)
29 The crack of dawn? (8)
30 Striker appears satisfied
about everything (6)
DOWN
1 Rushed in fire ride (7)

(8)
7 Planet or dog-star (5)
8 England has three of the realm, none real (7)
11 In a scramble, can go to this

figure (7)
14 Wind strangely renamed (7)

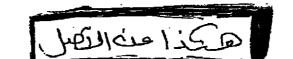
17 Just living for the day (9)
18 Strange relics to be found in the cathedral (8) 19 Strange ordeals of a navel

nsu (3-4)
21 Clearly sound touring organisation (4.3)
22 An English bowler knocked it for six (6)

24 A moment of informality (5)

26 Site in India, grave of Shah
Jahan's wife (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Set-



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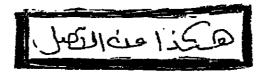
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#### **WORLD STOCK MARKETS** Price Set CANADA 1989 High Leve December 1 1989 Price High Low December 1 Frs. 1989 Righ Law Becomber 1 Price Lim 11,650 8,500 Seffa A 11,650 8,500 Seffa A 12,650 8,500 Seffa A 5,200 4,365 SASIB 6,200 4,365 SASIB 12,100 8,710 Steril Sea 12,100 8,710 Steril Sea 1,660 1,070 SMI 1,670 SMI | 1911 | 322 | 274.7 | Super | 294 | | 7710 | 444 | 942 | Super | 1700 | 389 | | 646 | 759 | 646 | 531 | 541 | 541 | 541 | | 675 | 153 | 100 | Set-rector | 706 | | 675 | 153 | 100 | Set-rector | 706 | | 676 | 370 | 357 | Set-rector | 706 | | 673 | 700 | 357 | Set-rector | 706 | | 673 | 700 | 357 | Set-rector | 706 | | 673 | 700 | 357 | Set-rector | 706 | | 673 | 700 | 357 | Set-rector | 706 | | 673 | 700 | 357 | Set-rector | 575 | | 1.244 | 1.255 | Caolana Verifich | 1.200 | | 675 | 37.01 | 358.2 | 236.5 | Dea, Pref. | 905 | | 4.372 | 252 | 145 | Deamer-Seaz | 672 | | 1.586 | 252 | 253.5 | Commerciana | 45 | 325.5 | | 657 | 730 | 447 | M.W | 730 | | 1.586 | 376 | 425 | Deamer-Seaz | 672 | | 1.586 | 376 | 425 | Deamer-Seaz | 672 | | 1.586 | 376 | 425 | Deamer-Seaz | 672 | | 1.587 | 355 | 172 | Defer-Werbe | 270 | | 380 | 376 | 425 | Deamer-Seaz | 672 | | 430 | 244.5 | 131 | Deamer-Seaz | 672 | | 430 | 245.5 | 131 | Deamer-Seaz | 672 | | 430 | 245.5 | 131 | Deamer-Seaz | 672 | | 430 | 246.5 | 376 | Deamer-Seaz | 672 | | 430 | 246.5 | 376 | Deamer-Seaz | 672 | | 430 | 246.5 | 376 | Deamer-Seaz | 672 | | 430 | 246.5 | 376 | Deamer-Seaz | 672 | | 430 | 246.5 | 376 | Deamer-Seaz | 570.5 | | 430 | 246.5 | 376 | Deamer-Seaz | 570.5 | | 430 | 246 | 137 | Deamer-Seaz | 577.5 | | 430 | 246 | 137 | Deamer-Seaz | 371.5 | | 431 | 246 | 240 | 241 | 241 | | 431 | 242 | 242 | 242 | 244 | | 432 | 434 | 245 | 245 | 245 | | 433 | 246 | 247 | 247 | 247 | | 446 | 276 | 277 | 277 | | 430 | 246 | 247 | 247 | | 446 | 276 | 247 | 247 | | 447 | 247 | 247 | 247 | 247 | | 448 | 247 | 247 | 247 | 247 | | 448 | 247 | 247 | 247 | 247 | | 448 | 247 | 247 | 247 | 247 | | 449 | 247 | 247 | 247 | 247 | | 449 | 247 | 247 | 247 | 247 | | 449 | 247 | 247 | 247 | 247 | | 449 | 247 | 247 | 247 | 247 | | 449 | 247 | 247 | 247 | 247 | | 449 | 247 | 247 | 247 | 247 | | 449 | 247 | 247 | 247 | 247 | | 449 | 247 | 247 | 247 | 247 | | 449 | 247 | 247 | 247 | 247 | | 449 | 247 | 247 | 247 | 247 | | 449 | 247 | 247 | 247 | 247 | | 449 | 247 | 247 | 247 | 247 2.579 | 198 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 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MONTREAL Closing prices December 1 575 Bembrdr A 27250 Bembrdr B 44550 Cambler 8415 Cascades 11025 Den TriA 7300 Conchus 2850 Memorac 38224 Natilla Cds 2673 Noverco 5100 Pover Corp 9072 Provigo 1850 Coobers A 4650 Gueboer T 14894 Videosron Total Sales 6,290, \$154, 147, 15 - 1, 3147, 144, 147, - 1, 3147, 15 - 1, 47, 15 - 1, 514, 15 - 1, 514, 15 - 1, 514, 15 - 1, 5134, 15 - 1, 5134, 15 - 1, 5134, 15 - 1, 5134, 15 - 1, 5134, 15 - 1, 5134, 17 - 1, 5135, 15 - 147, 17 - 1, 513, 17 - 1, 513, 17 - 1, 513, 17 - 1, 513, 17 - 1, 513, 17 - 1, 513, 17 - 1, 513, 17 - 1, 513, 17 - 1, 513, 17 - 1, 513, 17 - 1, 513, 17 - 1, 513, 17 - 1, 513, 17 - 1, 513, 17 - 1, 513, 17 - 1, 513, 17 - 1, 513, 17 - 1, 513, 17 - 1, 514, 17 - 1, 513, 17 - 1, 514, 17 - 1, 8,925 4,245 13,500 2,405 6,750 1,240 880 5,900 1,445 384 315 14,700 1,875 4,180 1,45 5,160 81,4 5,865 5,375 9,000 UCB 5,900 Uc AFV 2,455 Unerg 2,455 De AFV 1 2,455 De AFV 2 7,010 Wagers Lits 6,300 De AFV High Lev 127.5 48 127.5 48 128 117.5 143 75 143 75 143 75 145 150 185 128 155 45 175.5 108 304 175 40 31.5 188 119 40 252 110 42 PENNARK INDICES | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. | 10. SOUTH AFRICA A **NEW YORK** DOW JONES Dec. 30 29 28 HIGH LOW HIĞH LOW HIGH LOW 1 30 29 28 Priser 2747.65 2706.27 2683.78 2702.01 2791.41 93.49 93.51 93.58 93.53 94.15 220 1202.35 1170.70 1167.50 1177.28 1532.01 (579) 227.80 224.91 223.09 223.03 (27).29 2144.64 G/1) 87.35 (23/3) 959.95 G/1) 181.84 G4/2) 2791.41 (9/10/89) All Ordinaries (1/1/80) All Mixing (1/1/82) 1611.6 804.8 1607.5 807.2 1600.4 805.8 1412.9 (7/4) 652.6 (7/4) Home Bonds Credit Aktien (30/12/84) 219.5 (2/1) 416.37 415.36 414.99 415.95 515.09 (11/10) 1532.01 5/9/89) 227.83 022/1/87) Transport 08/7/32) 10.50 08/4/32) Brossels SE (1/1/80) FINLAND كالتالك Copenhagen SE (3/1/83) FINLAND Unitas General (1975) 18.55 20.35 20.55 359.26 (24/11) 275.49 (27/2) High Law Buttanher I 185.5 135 Amer 197 63 Cafter 45 27 Eno-Catash R 199 70.5 Hehtamad i Free 180 145 Hehtamad i Free 180 145 Hehtamad i Free 180 145 Hehtamad i Free 180 147 Kope 183.5 264 Kope 183.5 264 Kope 183.5 267 Kope 184.37 Z7 Reguna-Repola 274.5 150 Stockmann R 185 261 URL Papier Pd. 187.5 89 URL Papier Pd. 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Tendance(30/12/88) GERMANY 350.63 345.99 343.60 345.77 4,40 0,632 3,62 23,632 8,64 0,10,74 531.2 122.8 525.2 121.0 523.6 120.6 524,2 120.0 417.9 (A/I) 97.5 (27/2) 561.6 (11/10) 128.1 (10/10) 400.67 395.51 392.67 395.27 industrials 677.24 659.91 663.61 656.53 1996.6 1941.9 1953.6 1931.7 1612.44 1577.43 1562.27 1550.40 GERMANY FAZ Aktien G1/12/589 Commercianic G1/12/539 DAX C0/12/87) Floogchi 1274 3240 3244 3279 690.91 (10/10) 2056.8 (10/10) 1658.12 (11/9) 535.78 (27/2) 1595,7 (27/2) 1271.70 (23/2) 199.34 19/10/891 397.03 (10/10/89) 485.73 19/10/891 4.45 (25/4/42) 29.31 (9)12/72) 54.87 (31/10/72) 199.34 (9/10) 397.03 (10/10) 485.73 (9/10) 154.98 G/1) 305.24 C/1) 378.56 G/1) HONG KONG Hang Seng Bank (31/7/64) 2756.90 2748.35 2751.48 2760.08 375.58 373.84 373.64 375.10 3309.64 (15/5) 2093.61 (5/6) | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | 1949 | ISEQ Overall (4/1/88) STALY Banca Cost. 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JAPAN Niidel (16/5/49) Tokyo SE (Topic) (4/1/68) 2nd Section (4/1/68) 1989 | Price | Price | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 37132.68 37268.79 37021.46 36985.30 37268.79 (30/11) 2819.63 2829.54 2815.98 2799.94 2829.54 (30/11) 3714.33 3709.21 3693.81 3693.70 3804.11 (9/10) 30183,79 (5/1) 2364,91 (6/1) 2774,38 (27/3) 3,97 3.93 194 3.82 Nov 29 Nov 22 Nov 15 year ago (approx.) METHERLANDS CBS Tri.Res.Ges.(End 1983) CBS All Ser (End 1983) S & P Industrial div. yield S & P ledi. P/E ratio 259.3 256.9 255.1 199.1 197.2 195.9 254.6 195.4 NEW YORK ACTIVE STOCKS -TRADING ACTIVITY MORWAY Osin SE (2/1/83) 623.27 622.16 618.59 613.49 JAPAN 1989 High Low December 1 2.73 1.6 MIM 1.25 0.75 McPhersons ... 7 4.9 Mayor Nickies 6.94 5.8 Nat Asst. San 3.8 2.6 Nat Consolidate 1.2 0.75 Hewmont Aust 1.7 9.64 News | 1989 | Sligh Lew | December 1 | Yes | High Lew | Butansher 1 | Yes | High Lew | Butansher 1 | 2,340 | 1,550 | Japan Radio | 2,220 | 2,340 | 1,660 | Nitro Sec | 1,500 | 675 | Japan Radio | 2,220 | 1,620 | 1,70 | Nitro Corp. | 1,400 | 860 | Japa S Rattery | 1,250 | 1,6,700 | 13,200 | Nitro Sec | 1,500 | 1,000 | Japa Synth Riv | 1,360 | 1,360 | 895 | Higher December | 2,270 | 1,270 | Assam | Wool | 2,280 | 2,670 | 1,890 | Higher Beets | 1,430 | 1,000 | Julo Paper | 1,200 | 3,700 | 1,990 | Nitro Elect 61 | 1,430 | Japan Beets | 2,900 | 1,850 | 1,300 | Higher Beets | 1,200 | 1,300 | Higher Beets | 1,300 | 1,300 | Higher Beets | 1,300 | Hi Stocks traded Millions Dec 1 Nov 30 Nov 29 Price Yea 1907 Price-igh Law Securber 1 Yes -**出 1317.86 1343.25 | 1396.26 (20/11)** larika Comp (2/1/85) 147.270 11.562 122.908 1,954 578 897 MLPhersons Mayne Nickless Nat. Aust. Sank Nat. Complicated Rewmont. Aust. Mavistar Intil Bouater Inc Philip Morris Chewon Gen Electric BackAmerica 7,843,900 4,962,600 3,224,100 2,964,500 2,268,200 2,145,000 199.200 153.200 13.103 12.894 138.467 129.597 1,979 1,967 1,004 832 510 622 SONOAPORE Straits Times lad. GB/12/66): 1408.51 1411.28 1410.13 1404.06 1431.85 (12/10) Hen York Amex NASDAQ teats Traded Rises Falls 4 28 424 704 634 263 + 14 + 14 + 14 + 2 1030.69 (4/1) SOUTH AFRICA JSE Gold (28/9/78) JSE Industrial (28/9/78) 2115.04 2029.0 2031.0 2066.0 2149.0 (24/11) 2593.04 2569.0 2558.0 2558.0 2838.0 (25/8) Am T & T Exzon Teraco System 444 484 551<sub>2</sub> 51 303.77 303.60 304.56 305.66 328.93 (13/9) Series Bank Ind. CSI/12/50 770.7 765.2 759.9 754.9 829.1 (6/9) 613.1 CS/I) Series Bank Ind. CSI/12/50 770.7 765.2 759.9 754.9 829.1 (6/9) 613.1 CS/I) TARWANE\*\*\* Weighted Price C90/6/660 8931.28 9402.56 9630.28 9040.09 10773.11 (25/9) 4873.01 CS/I) THARLAND Bassick SET CSI/4/75) 769.14 769.83 771.92 760.07 792.20 CZI/1II 366.73 (2/I) WOISLD \*\*\*Saturday Rov. 25: Talware Weighted Price: 9773.56. Korea Comp Ex. 905.89. \$ Subject to official recalculation. Base values of all landless are 100 except: Bressels SE, ISEQ Overall and DAX = 1,000, ISE Gold = 255.7, ISE Indestrials = 264.3 and Aestralia All Ordinary and Milating = 500; 62 Closed. 60 Unavailable. CANADA TORONTO Nov 30 Nov 29 Nov \_\_\_\_\_ Dec 1 3207.5 (3/1) 3350.5 (6/1) Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding books.; industrial, plus Utilities, Financial and Transportation. (c) Closed. (a) Usuwallable. TOKYO - Most Active Stocks Thursday November 30 1989 Price H.K.S Closing Prices 878 1,030 1,020 825 832 Ciosing Prices 825 1,440 1,280 2,480 1,450 Change on day -20 + 120 unc +50 + 100 280 17.10 8.30 9.25 11.80 26.20 15.20 15.20 15.20 15.8 Change on day -5 -20 +20 -20 -23 **AMEX COMPOSITE PRICES** 4pm prices December 1 | Stock | Div. E | 190e | High | Low | Cross | Change | CrmCP | 1.10e | 7 | 4 | 28 | 28 | 28 | 28 | 2 | 28 | 2 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | SUNGAPORE | 1989 | Price | 1989 | Righ Lew | Decimber 1 | 5. | 1.75 | 1.28 | Bousteed Hidgs | 1.47 | 6.55 | 4.7 | Cembes Pacific | 5.25 | 3.9 | 2.7 | Cembes Pacific | 5.25 | 3.9 | 2.7 | Cembes Pacific | 5.25 | 3.9 | 2.7 | Cembes Pacific | 5.25 | 3.9 | 2.7 | 3.00 | 2.5 | Cember | 10.70 | 10.5 | 6.9 | Frace & Neare | 8.95 | 7.25 | 5.95 | Cember | 1.75 | 5.95 | 2.74 | Hoog Lardy | 1.75 | 5.95 | 2.74 | Hoog Lardy | 1.95 | 6.9 | 4.25 | 1.95 | 6.9 | 4.25 | 1.95 | 6.3 | 4.5 | 4.30 | 4.30 | 4.04 | 4.31 | 1.13 | Public Bank | 1.30 | 1.40 | 4.45 | 3.04 | 5.15 | 5.15 | 6.9 | 4.67 | 4.30 | 5.15 | 6.9 | 4.04 | 4.45 | 3.04 | 5.15 | 6.9 | 4.04 | 4.45 | 3.05 | 5.15 | 5.15 | 6.9 | 4.05 | 5.15 | 6.9 | 4.05 | 6.05 | 4.02 | 0.05 | 5.30 | 5.30 | 5.30 | 5.30 | SINGAPORE

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It's attention to detail like providing the Financial Times to be guests, that papers a great hotel. SCANDIC CROWN HOTEL

pread over the floor of Gunter Grass's studio is a series of stark char-

coal and ink drawings of dead trees. Like the charred

remnants of a battle-ravaged countryside — "a wartime landscape," he says tersely — they will illustrate his next book, Totes Holz (Dead Wood),

the West German author's

grim comment on a world in which pollution goes hand in hand with economic growth. The lifeless trunks were drawn this year on a trip to the

mountainous Erzgebirge region of East Germany near the border with Czechoslovakia. It was, however, coincidence that they happened to be on display for his publisher, since Grass has also drawn sick trees in wastern Europe.

has also drawn sick trees in western Europe.

But at a time of hope and what he terms "a renewal" in East Germany after the sensational opening of the borders with the West, they highlight his most pressing concerns as a writer and human being the future of eastern Europe and the state of the environment

the state of the environment.
East Germany's forests are part of an environmental catastrophe, to which the country's

citizens have forced the Gov-

ernment to wake up. The wide-spread burning of lignite (brown coal) to produce power has polluted the air and water,

while the big open-cast mines have laid waste large areas and destroyed numerous villages.

Grass, 62, a moderate left-winger with a "critical rela-tionship" with the opposition

Social Democrats (SPD) - he

was a firm supporter of Willy Brandt and his opening of rela-

tions with East Germany – has long been concerned about the world's threatened environ-

Born in Danzig, the former

Hanseatic free port which is now part of Poland, he is also

deeply involved in the fate of

eastern Europe. His lugubrious features becoming animated as

he talks, he covers both themes with concentrated rel-ish, filling his pipe from time to time and prodding the air

with it for emphasis. Of eastern Europe, he has

written often enough, most notably in The Tin Drum. His latest novel, The Rat, is a clev-

the sort of overwhelming moral themes many modern

novelists would not dare

approach - the wiping out of mankind by nuclear war which

leaves rats the dominant spe-

cies; the death of the forests; the pollution of the sea.

ate thoughts lie. With the smaller of the two Germanys

breaking loose from its rigid communist shackles, Grass is worried that its halting prog-ress towards democracy will be

swamped by the weight of demands for reunification.

While accepting most of West German Chancellor Helmut

Kohl's programme for the two

countries announced last week, Grass opposes his statement

that reunification remains

Bonn's political goal. Grass is

against what he calls what he

Europe is where his immedi-

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#### The growing power of suppliers

A NEW power is emerging within modern manufacturing. within modern manifacturing. It is less tangible than that embodied in the mighty, prewar industrial factories such as Ford's River Rouge plant in Detroit. That plant's power was its capacity to transform raw materials, arriving by river at one end of the site, into the mass produced cars which drove out at the other.

The new power is opaque. It is embedded in the contractual relations between manufactur-ers and their subcontractors. The emerging power of indus-try in the next decade could well be the international components suppliers upon which final assemblers will depend.

For years, manufacturers have used limited subcontracting of basic components and peripheral activities such as cleaning, security and catering. The terms of this relationship have been limited. Its main focus has been price, with quality more recently also becoming an issue. In the 1990s the range of subcon-tracted services is almost cer-tain to expand. The relation-ship between contractors and their suppliers will become

Changing structure Two forces are driving this reshaping of the industrial

structure.

First, improvements in the efficiency of production demand that relations with subcontractors will become leeper and more intricate. Increasingly, companies are moving towards modular manufacturing, in which complete parts of a product (for exam-ple, a car dashboard) are assembled separately away from the final assembly line and inserted whole into the final product. This dependence on the supplier for complete sub-assemblies means the main contractor has to develop a much closer, and more last-ing relationship with the supplier, to ensure that enough is invested in product develop-ment, quality and just-in-time

Second, products are becoming more complex. Soon basic products such as cars and washing machines will incorporate a mix of new technologies, such as microelectronic control systems and new com-posite materials. This increasg complexity means it will be impossible for a manufac-turer to be expert in all aspects of its product.

Thus manufacturers may increasingly become more like project managers on large construction sites, whose exper-tise lies in pulling together a diverse range of subcontractors. In some companies, such as ICL, the computer manufacturer, the task of sorting com-ponents, handling relations with suppliers and planning the logical flow of materials through the supply chain has become almost as important as engineering.

#### Potential shift

Manufacturers' expertise will increasingly lie in design-ing, sourcing and assembling components, rather than in making products by transforming raw materials. Power may shift away from final manufacturers towards compo-

nents suppliers. In some areas large companies, often Japanese, control access to key technologies. Though, as customer, a final assembler may nominally be more powerful, the real dominance may lie with its suppliers, who exercise control over

the product's key technologies. The task for assemblers is to maintain their control over the technology which lies at the heart of their product, the one which differentiates it from other products or generates most added value. For a fountain pen maker, for exam-ple, the vital mechanism is not the plastic casing, or even the nib. It is the small mechanism that regulates the flow of ink to the nib. This generates most added value and distinguishes higher quality products from

cheaper imitators. For manufacturers the question of what they should make themselves and what they should buy in from a subcon-tracted supplier thus becomes increasingly critical. And for those concerned with industrial policy should note that local content regulations may miss their mark. What matters is not the amount of a product which is locally made but who controls the development of the most significant parts of it.

Charles Leadbeater

**MONDAY INTERVIEW** 

### A third way for Germany

Günter Grass, the West German novelist, talks to Andrew Fisher about politics and culture

calls the "maximum demand" of reunification, but recognises that concern about merging the two Germanys could also lead to "immovable status quo thinking" which would block

any progress.
"What I miss is a third way, which tries to answer the German question by turning to other sources in German history than, of all things, that of Bismarck, which led to the use of force and the waging of wars as the German Reich, the Sec-

PERSONAL FILE

1927 Born in Danzig (now Gdansk in Poland) 1945-6 Served in German: army, wounded, cap-tured by Americans 1959 Published The Tin Drum

1963 Dog Years 1969 Local Anaesthetic **1988** The Rat

ond Reich, was formed. "That was a relatively short period of German history, which turned out disastrously, resulting in two world wars, the consequences of which have lasted until today." His third way is based on federal-ism, with the West German regional states (Länder) linking up with their counterparts in East Germany, abolished

"The Bundesrepublik (the Federal Republic) is a Bund (alliance) of Länder. If I look at East Germany alone, where the states are starting to stir again, I can see that Saxony has also become active. Mecklenburg exists, too, and the link from Lübeck to Mecklenburg is not just with East Germany, but also with the former state of Mecklenburg." Lübeck is the pretty West German coastal town on the Baltic near to which Grass has his isolated

house by a canal.
On this, partly existing,
partly renascent, state basis,
Grass sees a good chance for a
federation of the Germanys —

"two states, one nation." He comments: "For me, federation means the avoidance of an economic, and especially military, concentration of power. That is not just something which our neighbours fear, and rightly. It also frightens me, as a Ger-man. And I believe a lot of other people don't want to go through this experience

he says this, as when he talks about the terrible problems of Calcutta, where he recently

political changes. In a few months, the euphoria will have with these problems - without an answer. The contaminated and poisoned rivers, the con-Cleaning up the environ-

ment is one area in which a confederation of the Germanys, are lots of possibilities, as the example of western Europe shows, to realise and to live with democracy."

But he warns against hold-

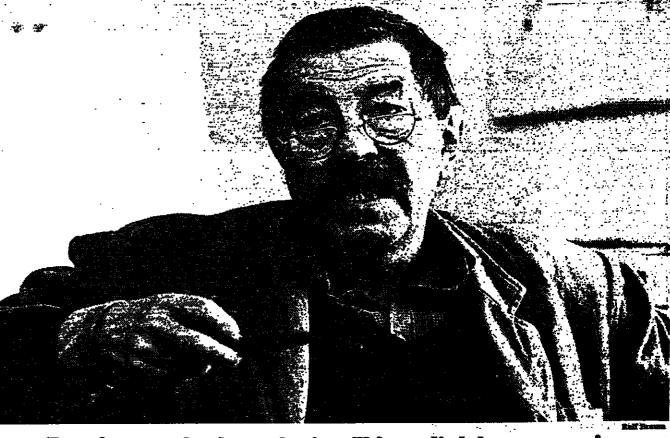
Grass's voice sharpens when

spent six months, or the responsibilities of the western nations for such hazards as damage to the ozone layer. It softens again, though still insistent, as he discusses the severe environmental problems of East Germany.

"This subject doesn't just disappear because the post-war period is over as a result of died down and we will be faced taminated and poisoned air know no boundaries."

with different, but no longer so markedly different, social systems," could work together. Others are Third World development policy and basic economic co-operation. He feels this could help East Germany achieve in about 10 years the living standards West Germany many had in the 1960s or 1970s. Politically, he adds: "A reform in East Germany can no longer, I think, be post-poned. It will lead to a democ-ratisation which will, and should, differ in certain points from West Germany's under-standing of democracy. There

ing free elections too quickly, before the fledgling opposition parties have had time to learn



'In a few months the euphoria will have died down

and organise. "It would be a mistake for the West to press for early elections." They should not be held at least

Grass's vision of Germany, however, goes beyond the political and economic spheres. It was expressed by the philosopher Herder in the late 18th century: the Kulturnation (cultural nation). "Of all areas, it is the most sensitive, the most fragile - culture - that has survived the division of Germany best. Despite being damaged, it has remained alive." He stresses that a dialogue often argumentative, but none the less a dialogue – has con-tinued on the East and West German literary scenes.

Herder's notion, not an aggressive one, was attacked by other writers and forgotten under Bismarck. "With a new cultural understanding, a confederation of both German states would have the chance to define a national understanding - two confederated states, one cultural nation."

But forging a new collective identity will take time; much

healing has to be done. "Both German states are successor states to the Third Reich. They have borne the burden of the lost war unequally, East Germany more than the Federal Republic. The smaller and weaker part of Germany had to pay and deliver, even up to the present, much higher reparations to the Soviet Union, while the Federal Republic swum free, so to speak, fairly quickly through being a desired partner in the western alliance during the Cold War."
This, he feels, puts a moral
obligation on West Germany to support East Germany in its economic difficulties. Not like an alms giver, with patronising gestures from the rich state to the poorer one, but out of a well-founded obligation." The two states now have the chance to build on their first peaceful revolution. Past Ger-

man attempts, he remarks, have all "failed bloodily." The events in East Germany have shown that revolution can succeed without blood. This has happened without the sort of exaggerated German characteristics that others see as typical, without romantic exuberance, without absolute demands, without an offwith-their heads' mentality, and even with a certain cheer-fulness if I think of the words

it's a new tone in Germany."
While it is one which clearly gratifies western governments many non-Germans are uneasy about reunification. Grass hopes a close association rather than unification of the Germanys will forestall these fears and prompt western Europe and North America to offer a modified form of Marshall Aid not just to East Germany, but also to needler countries in eastern Europe.

Having visited Poland a few weeks ago, he says: "The country is going to ruin. After being plundered by the Germans and Russians, it still bears the scars of the Second World Wor." Apart from western belong War." Apart from western help for the east, Grass sees the need for western capitalism itself to be reshaped to help solve such overwhelming problems as the damage to the ozone layer. "Anyone who adopts a know-all attitude and

authoritarian, dognatic com-munism is a victory for capitalism is lying through their teeth."

It comes as no surprise to hear Grass call himself a scep-tic. But events in the east have made him far less so. "The despairing courage of the Poles in taking their history, their fate, into their own hands at a time of growing economic diffi-culties, and the fact that the same is happening in East Germany, gives me hope again for the first time in years." But for Grass, the ultimate danger of nuclear war is still

there. "What threatens is and could lead to our self-destruc-tion is not a fate from above but the sheer work of human beings. Human actions can prevent this. What has just happened in Hungary, Poland, and East Germany shows this to be

So, he adds, do the efforts of "a man named Gorbachev, still wrestling with huge prob-lems in his own Soviet Union as a result of the mon events he has helped set in

### The dilemmas of protecting sources

t is not immediately apparent why the Court of Appeal last week refused to hear the appeal of Mr Willlam Goodwin against the ruling the previous week of Mr Justice Hoffman that he should disclose the source of his infor-mation about a confidential corporate finance plan of a private company. Ostensibly, the reason was that in refusing to the Court's order to lodge with the Court his notes in a scaled envelope (to be opened only as and when the case was concluded against the journalst), Mr Goodwin was guilty of

A contemnor renders himself dis-entitled to the court's attention until he purges his con-tempt. The law's attitude, however, is not so rigidly applied. The fact that a party has disobeyed a court order is not of itself a bar to his being heard. Only if disobedience, so long as it continues, impedes the course of justice by making it more difficult for the court to ascertain the truth or to enforce its orders, will the court decline to hear the dis-

obedient party. But Mr Goodwin was forced into committing a contempt by the Court's own insistence in maintaining the order of dis-closure, which was the very subject-matter of the appeal. If the question was whether it was "necessary in the interests of justice" to order disclosure, the journalist was entitled to say that until the appellate process had run its course, he should not be offered by the Court a poisoned chalice in the form of an offer to lodge the sealed envelope containing his notes which would reveal the source. Lord Donaldson was less than characteristically fair in suggesting that journalism was deliberately confronting the judiciary. Mr Goodwin was simply adopting the moral stance of journalists who have a professional obligation to protect confidential sources of information. That stance



#### JUSTINIAN

reflects a principle long established by the Press Council. It is likely to be re-affirmed in the Council's own Code of Practice to be published next

Although the Court of Appeal shut out Mr Goodwin's appeal, that is not the end of the matter. The appeal by the publishers of his magazine, The Engineer (who have been ordered to desist from going ahead with any publication of the confidential information about the company) proceeded. The Court's reserved judgment will be given shortly. There is some prospect that it may yet find a way of arriving at a solution acceptable to the world of journalism. During the course of the argument, the Court alluded to this column's view in last week's edition that the issue was not a case of rival public interests but a matter of the public law that protects sources of information against the public interest in enforcing remedy for a private right. It is not, thus, a balancing act in which the court needs to weigh-up two competing interests, but a case of determining whether there is some public interest that might exceptionally prevail over the duty not to disclose confidential infor-mation. Mr Justice Hoffman has said that the "interests of justice" take priority over the public interest, recognised by section 10 of the Contempt of Court Act 1981, in the confidentiality of journalists' sources.

The section begins by saying that the court may not order disclosure of a source unless it is satisfied that disclosure is necessary for one or other of four heads of public interest. The four are "the interests of justice," "the prevention of crime" - the two heads relevant to Goodwin's case - "the national security" and "prevention of disorder

The conundrum for the judges is what is meant by

"the interests of justice." Five years ago, in the famous Granada case, Lord Diplock said that the expression was intended by Parliament to mean the administration of justice in the course of legal proceedings. That is to need the ceedings. That is to read the expression in a technical sense. The exception based on "the interests of justice" must, how-ever, be of the same dimension as the other potential interests
- namely, national security, or the prevention of disorder or of crime. These three exceptions protect fundamentally the well-being of society. The "interests of justice" must, therefore, refer to interests of greater public import than the mere furtherance of private interests through the medium of litigation. So interpreted, the interests of justice are directed interests of justice are directed to the efficacy of the trial and the respect for the processes of the court, where disclosure is absolutely necessary to establish the case for or against the parties. In short, the expression "interests of justice" is the over-riding public interest that over-riding public interest that trials should not mis-carry.

Justice expresses a civilised concept that is altogether broader than in the technical sense of its administration. It reflects the sense of a strictly impartial meting out of what is due to the disputants. Once viewed in that light, the way becomes clear for the court to give new prominence to the public interest of non-disclosure of the journalist's source



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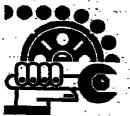
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Japanese industry enters the Nineties in a mood of optimism after a year of political turmoil in

the country. As corporate giants expand abroad and the stock market continues its climb, are prospects as favourable as they appear? Robert Thomson reports.

#### Good times in a year of upsets

upheaval, with a procession of three prime ministers, stock and sex scandals, and the rise of the Japan Socialist Party, the Japanese economy has flourished and Japanese industry and workers have not yet learned how to relax.

For a people who regard themselves as middle class but poor, the Japanese are surrounded by reminders that life is not as austere as it used to be. Auto makers note that the humble salaried worker, the sarariman as he is called, has begun to buy luxury cars, rassed by the riches of a travel surge, are developing new ways to disguise profits.

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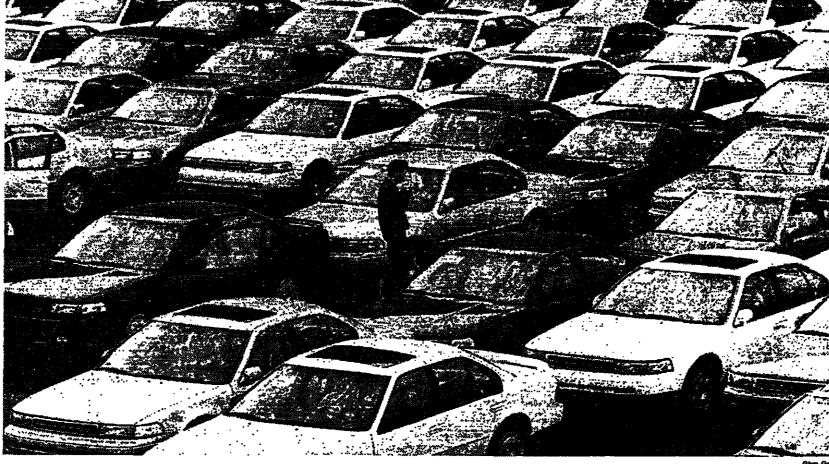
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The spending power of Japanese companies continues to intimidate, and Japanese con-spiracy theories are again playing to full houses in Washington. Sony has bought Col-umbia Pictures; Mitsubishi Estate has taken a majority stake in the Rockefeller Group; and Kato Kagaku, the country's largest maker of starch syrup, is buying Bush House, home of the BBC world service. As the foreign assets grow, and the Tokyo stock market continues its relentless climb higher, and once struggling industries like shipbuilding

IN A YEAR of political and machine tools report healthy profits, the prospect of a decline in Japan's economic fortunes is remote. Nomura Securities, the world's largest broker, had the confidence to predict the Nikkei stock market average at the end of 1995 could be as high as 81,700, and will be at least 63,700. The index is now account 37,000 index is now around 37,000.

The confidence has its limits. Japan is suffering a labour shortage that has led to a 50 per cent increase in salaries in a few industries over the past two years. The trend could become serious enough for companies to reconsider plans for expansion of capacity within Japan and invest offshore, not to beat trade barriers, but simply because Japan does not have enough workers

to make the product.
And there has been concern. that consumer spending, which has fuelled economic growth in the past three years, would not recover from the introduction of a 3 per cent consumption tax in April. In the months before the tax, consumers went on a buying binge, but then came year-on-year falls in spending of 0.2 per cent and 1.8 per cent in July and August. The tide appeared to turn in September with a 0.3 per cent increase. Political instability has



the port of Yokohama: the motor industry remains the engine of the flourishing Japanese econor

### Japanese Industry

eased with Mr Toshiki Kaifu. the Prime Minister, managing to avoid scandals since being appointed after his ruling Liberal Democratic Party lost control of the upper house in a July election. At the same time, the Japan Socialist Party, which made remarkable gains at that election, has failed to build on its success.

The JSP remains divided between its ideological Left and more pragmatic Right, and has been unable to present a coherent platform to an electorate which may feel poor but has been enriched enough to have something to lose from a mismanaged economy. Mr Hiroshi Nukui, the director of the JSP's policy secretariat, admits that winning the confidence of Japanese industry will not be easy, but argues that the JSP has the respect of

survive just by pursuing profit. Companies have started to realise that and we have to oppose that. We are asking

them to expand their role as said. Corporate Japan, con-scious that a coalition government headed by the JSP would increase company taxes, has not abandoned the LDP and will encourage employees to vote for the party at a general election likely in February.

The political and industrial role of the just formed Shin Rengo, or Japanese Trade Union Confederation, is an unknown variable. The 8m-member organisation covers about 65 per cent of Japan's 12.3m organised workers, and has described its formation as "the coming true of Japanese workers' earnest wish to unite themselves under one nationwide organisation". Ideological disputes have troubled the trade union move-

ment for the past four decades, many corporations.

"Japanese business cannot but Shin Rengo has indicated it will "pursue socialist democracy with the market economy at its base" and hopes to develop into a formidable polit-ical party. As for industrial dis-

putes, the union says it will not "hesitate to make the necessary compromises with management in so far as it does not bend our principles as a labour

External forces are likely to be a larger threat to industrial peace of mind in the coming year. Japanese industries are aware that the sensitive trade relationship with the US could deteriorate rapidly. Signs of frustration with a lack of progress in the bilateral Structural Impediments Initiative (SII) talks are already obvious in Washington.
Of their nature, the SII talks

were not designed to achieve a sudden reduction in Japan's \$50bn-plus bilateral surplus, but that fact has become more obvious in recent weeks to US trade negotiators, who realise that they will have little to offer a hostile US Congress when the talks conclude next summer. Japanese trade offi-cials are concerned that frus-trated US negotiators have taken their eye off the detail

demands for dramatic industry-wide changes.
In agriculture, the US has

called for a phasing out of tar-iffs and export subsidies over the next 10 years, and in shipbuilding, the US has demanded that all subsidies, direct and otherwise, be abolished. A senior trade negotiator at the Ministry of International Trade and Industry (Miti) said that the unwillingness of the US to compromise on these grand demands is "unfortunate."

The Government has taken solace from seven consecutive months of decline in the total trade surplus, but Miti officials are aware that the fall has been exaggerated by currency fluctuations and oil import changes, and that the surplus could well increase next year as the Yen appreciates. It is taken for granted by Miti that the Yen will appreciate.

Gross National Product growth for the year to end March is expected to be around 4.8 per cent, but that figure

understates the surges in profitability in some sectors. The machine tool industry, feeding off a striking rise in domestic auto sales, has reported a 30 per contain the sales are ported as in the sales are provided as a s per cent increase in orders in the first half to end June, and has a record order backlog. During 1986 and 1987, the industry struggled, as did ship-building, which was protected by a recession cartel until a few weeks ago and now has

orders locked up until 1992.

Industrial output in the six months to August rose 7.2 per cent compared to 7.8 per cent in the previous six months, year on year, and real capital spending is expected to increase by just over 13 per cent for the fiscal year, the third successive year of a double-digit increase. More worrying for companies is the prospect of a vigorous campaign by the trade union movement next year during the annual spring wage offen-

The labour shortage, together with an expected 2.6

#### CONTENTS

☐ Motor Industry: ☐ Retail industry: ☐ Aerospace ☐ Production equipment ☐ Shipbuilding Liquor industry

TPower supply and distribution Domestic appliances □ Components ☐ Toys ☐ Profile: Tomy

Handicrafts and traditional Exchange rate (Av Jan-Nov 28. 1989): £ = Y225.37, \$ = Y137.53

Editorial production: Roy Terry per cent increase in consumer prices for the year, have combined to give employees a strong argument for a larger than usual wage hike, but companies will argue that a large increase will simply fuel infla-tion. The negotiations will be a test of Shin Rengo's intentions

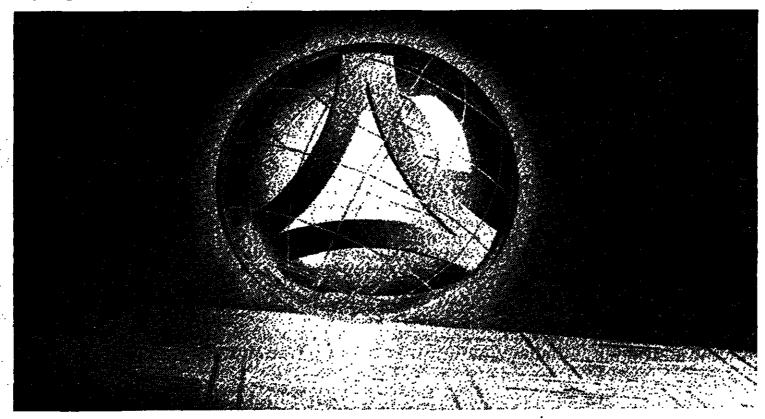
With private investment fuelling growth, the Govern-ment has had little need to stimulate industry with a lav-ish public works package, although Washington suggests that such a programme would push the Japanese economy towards maturity and provide opportunities for US companies. One of the US arguments in the SII talks is that Japan's complex distribution system is not unlike the US system of

early this century.
One of the curlosities of the present phase of economic growth is that larger Japanese construction companies have become reluctant to take on some public works projects, regarded as unprofitable because the allowed budget does not take rising labour and materials costs into account.

The Government has proposed an 11.4 per cent increase in budget spending for 1990, but debt service charges and grants aside, the general account increase will be only 3
per cent, which is the ceiling
fixed by Ministry of Finance
earlier this year. The Bank of
Japan, the central bank, is also expected to keep monetary policy tight for fear of a surge in inflation.

Having been surprised by the growth capacity of the economy, Japanese companies are asking the obvious question of how much potential remains. For next year, at least, it is likely to be more of

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#### **JAPANESE INDUSTRY 2**

#### **MOTOR INDUSTRY**

#### Taste for style and class

THE Japanese car market has become an international test ufacturers, who are experi-menting with "boutique" pro-duction runs of customised cars to cater to the emerging individualism of young Japanese, and who are perfecting their luxury cars in a market that has developed a taste for and the means to buy class.

Sales last year rose by 12 per cent from the 3.05m vehicles sold in 1987, and the Ministry of International Trade and Industry (Miti) expects that the number of vehicles owned in Japan will rise from 52m last year to 64m in 1995 while, at year to 64m in 1995 while, at the same time, present owners will be replacing vehicles over

A surge in luxury car sales this year was assisted by a change in the tax structure in April which favours models with larger engines. However. even bearing that in mind, the increase is still dramatic. In April, sales of 2,000cc-plus cars rose 78 per cent year compared to the same month a year earlier, while the increase in May was 65 per cent; June, 76 per cent; and July 74 per cent.

Mr Masayuki Saito, manag-ing director of Nissan Motor, said that the two most important trends in the domestic industry are the increase in total demand and the "high class orientation" of purchases. He said the emphasis on lux-ury is shown in sales of larger vehicles and in the demand for more expensive smaller vehicles, which was 40,000 a month last year, and is run-ning at 60,000 a month this

A Toyota spokesman said the social profile of luxury car-buyers in Japan is changing. "Smaller luxury cars and imports have shown strong growth and the buyer breakown has begun to change to include salaried workers as well as middle and lower income individuals - that segment has begun to take on the characteristics of a more gen-

eral, or popular, market.' Imported cars, particularly Mercedes and BMW, have done well from the "high class orientation" and image conscious-ness of the increasingly diverse market. The foreign share last

year was 3.7 per cent, up from 3.1 per cent in 1987, and 2.3 per cent in 1986. As well, the range of dealer outlets for foreign vehicles has grown to include department stores and even supermarket chains. One of the more difficult-to-

quantify influences on the market is the high price of land in Japan. The surge in prices in recent years has put a new home beyond the reach of an ever larger number of indi-viduals and families, so it is believed that they are buying better quality cars with money that would have been put away for a home. Higher prices have also given present landowners more leverage and a reason to take their vehicle upmarket. Toyota said it has not done any studies to monitor the

effect of land prices on car pur-chases, although "our inclina-tion is to think that there has not been that big an effect," while a Mazda spokesman said car buying habits in the metropolitan zone" may have been affected, and Honda suggested that "buying habits" have been affected. It is not in the interests of car makers to be seen to be profiting from the politically sensitive issue of land prices.

The growth in domestic demand has prompted makers to expand production capacity, but Miti is reported to have asked that the companies exercise restraint as there are fears within the ministry that sur-plus capacity at the new plants could be exported and thus

exacerbate trade tension.

Toyota has plans to add a single assembly shop to its domestic operations with a capacity of 15,000 units a month of Lexus LS400 and Celsior. The plant is due to begin production in autumn next year, and the company says it has not received any advice from Miti. Nissan is considerof 20,000 units a month to be opened in autumn 1991.

Mazda plans to expand capacity at one plant and scrap outmoded lines at another, and independently at Mazda in view of the surrounding situation." Honda is to increase production capacity of sports cars by 6,000 waits, and concedes "Miti is likely to discourage



Nissan plant. Opcama: share of cassenger car market up

carmakers from expanding capacity, though our aim is not

to aim for large capacity."
While Toyota said that the present demand for volume production cars is distracting attention from customised small volume vehicles, Mr Saito at Nissan said that Japanese consumers increasingly want to "differentiate themselves." A Daiwa Securities report on the "automobile boom" said that "niche marketing" has been a success at Nissan both in sales and image

Nissan's marketing suc-cesses in the past year have pushed up its share of the passenger car market from 23.3 per cent last year to 25.6 per cent in the first seven months of this year, while Toyota remains the market leader with around 50 per cent. Honda, Mazda, Mitsubishi, Isuzu, Fuji Heavy Industries, which makes Subaru cars, Daihatsu and Suzuki follow.

The market leaders share different views on the international adaptability of automo-biles. Mr Saito said that Nissan believes that "taste does not

change very much from country to country." He said that the company had previously focussed on the "lead country" idea, with significant changes being made to models in different countries, but has been converted to the philosophy of "global car."

The Toyota spokesman said "international marketing is a misnomer" because "every market is different and the products we sell try to reflect this. While difference is reflected largely in equipment rather than styling at present, as our operations are further globalised and research and development capabilities are strengthened overseas, the dif-ferentiation will become even more apparent for the separate

Both companies agree demand in the domestic market will remain strong. Mr Saito said growth is likely to remain high next year, and then settle at 3 to 4 per cent annually, while Toyota expects long-term growth will be

Caroline Southey reports on Japan's acute labour shortage

### A jobseeker's paradise

FOR THE moment Japan is a job seeker's paradise. Major Japanese companies are running talent sweepstakes as the country's acute labour shortage starts to make itself felt on

expansion plans. The average university grad nate this year has received more than two job offers. In August the ratio of job openings to job seekers was 1.32:1 with the unemployment rate at 2.25 per cent, putting the num-ber out of work at 1.41m.

The most disturbing feature of the labour shortage for the government and industry, is that it is not confined to one sector. Sectors most affected are construction, service indus-tries and vehicle manufacturers. All blue-collar occupations faces serious shortages.

The Ministry of Labour, in a

recent survey, found that 46 per cent of respondents at vehicle plants said they suf-fered labour shortages in August this year, 41 per cent in the service industry, 41 per cent of machine tool manufacturers and 39 per cent in the construction industry. Most companies predicted that the situation would deteriorate in the final quarter of this year.

facturing or non-manufacturing - claimed to have enough workers. The chemical industry appeared to be the most comfortably placed with only 6 per cent reporting a shortage of labour, although companies expected this to rise to 8 per

ent by the year end.
Schroder Securities recently reported that shortages of skilled construction workers led to 31 out of 167 Tokyo Metropolitan public-housing projects failing to attract bids within budget in the last fiscal year. Carpenters, plasterers, and scaffolders were hard to find in metropolitan areas, and the wages for some skilled jobs had risen by 50 per cent in two years in the Tokyo area. But, Schroder concluded, the

temporary pressure on profit margins from increased labour costs was being alleviated by the use of imported materials and foreign labour, and in the case of the larger companies,

There appears to be no evidence to suggest a significant easing of labour market conditions in the short term. How-ever, the Ministry of Labour



labour shortages. By 2025, Japan will have the highest (one in four) ratio of over-65s

to its total population, com

pared with its present situation of having the lowest (one in 11)

ong leading industrial coun-

The notion that women workers, particularly those with children, should remain

part of the work force is also novel in Japan. The OECD, in

a 1986 study on the age profile of female workers in Japan and US, found a sharp drop in the number of women employees

in Japan between 20 and 25, compared with the US.

In both countries, more than 72 per cent of all 20 to 25-year-old women worked. This then

dropped to 55 per cent in Japan for the over 25s, but remained virtually static in the US.

work force has risen little in the past five years - from

23.24m in 1983 to 24.78m in

1988, making up 35.3 per cent of the total work force in 1983,

compared with 36.8 per cent

last year. In service industries, the number of women as part

of the total workforce stood at 5.12m in 1988, against 4.46m five years earlier and 4.4m in

One reason for this is that

women are actively encour-

aged to leave work, either after marriage or after having chil-dren. Fuji Research's recom-

mendations to reverse this trend include: accommodation

of part-time workers; extension

of insurance benefits to part-time workers; special "career breaks" of up to two

4.09m in 1983.

facturing compared with

The number of women in the

and some research analysts

out period," says Mr Masaru Takagi at Fuji Research Institute. "There is no danger that we will have the same labour shortage in five year's time."

Mr Takagi's optimism is

based on two assumptions: that economic growth will begin to slow and that industry and the government will take action to attract workers, who for reasons of age or sex, are not being drawn into the labour force. Fuji Research Institute, in a

recent study, concluded that there were two main sectors in the labour market which needed to be targeted - workers over 55 and women work-ers between the ages of 20 and

Statistics merely reflect a truism about Japanese society workers retire early. There has been steady pressure on Japanese companies to increase the retirement age which has been officially raised from 55 to 60. Last year 55 per cent of all companies set 60 as the retirement age for men, compared with 43 per

The Ministry of Labour says it is not considering raising the retirement age to 65, but is providing "administrative guid-ance" to companies to redeploy, retrain and encourage older workers to stay on. Flexibility over retirement is

particularly sensitive in Japan because it is feared the demog-raphy of Japan's rapidly ageing society will create long-term years for women with small children and the establishment of childcare facilities, by gov-ernment and by companies.

The Ministry of Labour's approach to the problem itself reflects the ambiguity in Japanese society towards working mothers. It says it is working on proposals which would make it possible for women to fulfil their roles as 'home-makers" and to hold down jobs. ers" and to now down jobs.

"We have to make it possible for women to fulfil both functions," said Mr Hidetaka Taujikawa, deputy director in the Ministry of Labour's foreign workers affairs office.

Behind this creative approach to employment prac-

approach to employment prac-tices is the determination by government ministries to stem

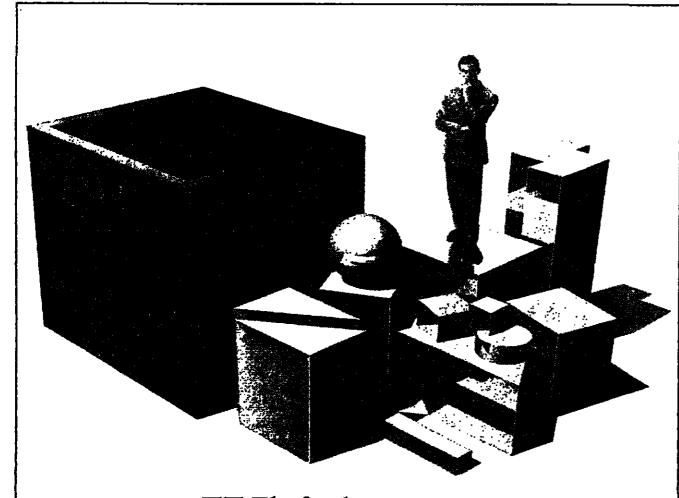
the flow of foreign workers.
Foreigners with legal working visas rose from 42,775 in 1982 to 81,407 last year, while there are an estimated 70,000 foreigners who have overstayed visas of various king. and are still in Japan. The Min-istry of Labour estimates that 150,000 foreigners are working

illegally.

The Ministry admits it is under pressure from trade unions and larger companies on the one hand who are against a large influx of foreign workers, and smaller com-panies on the other - particularly in the steel, construction and service sectors – who con-sider the shortage severe enough to warrant the acceptance of foreign workers, even

on a temporary basis. There are two particularly strong arguments against an influx of foreign workers. The first is the fear that, in a country as homogenous as Japan, racial problems similar to those of the US and Kurope could develop. The second is that, during a continuing period of industrial structural change, the establishment of a cheap labour market could interfere with increased mechanisation and modernisa tion. Already in some areas the labour shortage is speeding up

automation For the Labour Ministry the labour shortage is to be welcomed. "It is forcing companies to improve conditions for the work force and it is forcing them to modernise," said Mr Mitsuru Takahashi, deputy director of the ministry's employment policy division.



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## Why does he work for a steelmaker if he's breaking new ground in electronics?

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### **Protection for small business**

THE small shopkeeper in Japan has powerful friends. If nese retailing is grossly inefficient and unfair to the Japan defended himself so well over the past year from persistent attack from Western trade offi-

Western governments, desperate to find ways of maintaining pressure on Japan over the size of its surplus of exports over imports, have this year singled out Japanese retailing as a prime example of a hidden barrier to trade. They argue that it is easier for an argument of the same large. importer to sell to one large group than scores of individual retailers. But the target has

proved chusive. Japanese government offi-cials have skilfully channelled cials have skilfully channelled the assault on the shopkeeper into a wide-ranging and complex discussion over the differences between Japan and the US, institutionalised in the talks over the Structural Impediments Initiative (SII). Also, with breath-taking boldness, the Ministry of International Trade and Industry (Mitt), which is leading the (Miti), which is leading the Japanese side in the SII talks, attacked one of the main arguments advanced by Americans

JAPAN'S powerful semiconductor industry is gearing up for challenges in the next few months.

In the marketplace, there are worries that the dreaded sili-

con cycle, which has caused a boom and bust pattern of chip demand in the past, is once again entering its downward

segment.
At the same time, the technology cycle is asserting itself again, forcing the industry to invest huge amounts of capital

to tool up for volume produc-tion of the next generation of four megabit dynamic random

access memory (DRAM) chips.
Meanwhile, rumbling in the
background is the ongoing fric-

tion with the US over access

for foreign chipmakers to the huge Japanese market. If all this seems a bit daunit-

ing, it should be placed against the background of the past

three years, during which the

industry has enjoyed unprecedented demand and profit growth. According to World Semiconductor Trade Statistics

(WSTS), the value of the world semiconductor market soared

from \$26.4bn in 1986 to \$45bn

nese consumer.
Foreigners claim that Japa-

nese prices, even for Japanese goods, are the highest in the world. "Not so," said Miti, producing a list of 33 types of eight consumer electronics

eight consumer electronics items of which only two were more expensive in Tokyo than in New York.

Even Japanese officials were embarrassed by this ploy: the Economic Planning Agency subsequently published a report showing that Tokyo prices were on average 40 per cent higher than in New York, or in Hambury Mitt this sunor in Hamburg. Miti this sum-mer made public a report on retail distribution reform. It was designed to answer criti-cism about the operation of the Large-scale Retail Store Law, which controls openings of large new stores. It gives small shopkeepers the right to delay, sometimes for more than 10 years, the opening of a new

In the event, Miti has recom-mended setting a two-year limit on negotiations, much to the disgust of large retail

chains which have pressed for munities together. Like Japa-complete abolition for a long nese farmers, who are also well time. In other Western countries, notably in the UK and in the US, small shops have steadily lost business to large supermarkets, which offer con-sumers more choice and lower

protected by law, they exploit the hankering of fast-moving city people for a sense of stability in their lives. "The distribution system is a social system with its roots buried deep in prices. But in Japan, small history and culture," the distri-

	Jepan	US	UK
Number of retail stores	1.62m	1.5m	343,000
Number of wholessiers	437,000	376.000	95,000
Retailers per 10,000 people	132	65	61
Wholesalers per 10,000 people	38	16	17
Retailers per wholesaler	3.7	4.0	3.6

shopkeepers have successfully persuaded the Government to guard their interests at the expense of consumers.
One reason is cultural. Small shopkeepers are the life and soul of urban Japan. Japanese

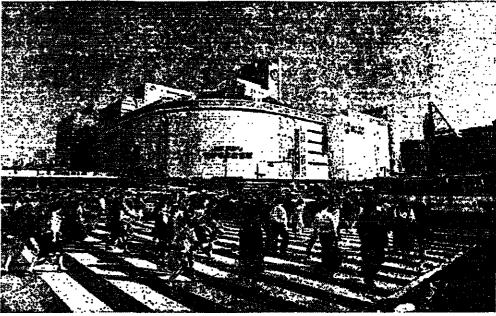
Chamber of Commerce and Industry recently said in a Next, the owners of the country's 1.5m small shops, together with their families, account for some 20m votes — most of them cast for the rulcities have grown so rapidly since the Second World War, that even communities which seem well-established are ing Liberal Democratic Party. The LDP needs the shopkeepers to organise voters at elecyoung by European standards. Shopkeepers hold these com-

keepers get the party's sup-

Most important of all, the proliferation of small shops and of the wholesalers which serve them allows the country's manufacturers to wield great power over the distribution system. The country's retailers are mostly beholden to the manufacturers, who can dictate terms and prices. Many retailers are grouped in anticompetitive associations with one large manufacturer. Con-sumer electronics groups control stores accounting for some 45 per cent of their sales. Matsushita Electric Industrial alone has 25,000 shops,

trial alone has 25,000 shops, which rely on Maisushita for 70-100 per cent of their stock, although this regime is slowly breaking down. About 140,000 small stores closed between 1982 and 1985, the date of the last published commercial census by Miti. Since then some 200,000 more have gone. They are under pressure from supermarket and chain store groups, which are steadily squeezing the small stores' margins to the small stores' margins to the point at which they cannot

carry on. Chain stores have been par-



Sogo store, Kobe: chain stores bridge the gap between small stores and supermarkets

ticularly effective because they bridge the gap between the small store and the supermar-ket. A supermarket usually requires a large site, which is rarely available in big cities. Chain stores have grown by recruiting small store owners as franchisees, bringing the advantages of large-company efficiency into the traditional

Even though Miti has been

slow about rewriting the large stores' law it has, over the last two years, been interpreting it more liberally. Last year, large store operators, those with stores of over 500 square with an overall increase in retrie increased their overalt. metres, increased their operat-ing space by 5 per cent, against 2 per cent a year in the early 1980s. These stores generate big publicity through national plaints from overseas, he has done rather well in 1989. advertising campaigns. Their

retail sales of 4 per cent. Yet the small shopkeeper survives. Despite all the com-

Stefan Wagsty

Demand slumps, investment needs and trade pressure test resilence

tion time - in return the shop-

#### Gearing for tomorrow's silicon chip

bution division of the Japan

last year, and is likely to reach about \$50bn this year. Japa-nese producers account for half of total world production, so they have been among the main beneficiaries of this

Toshiba, Hitachi, NEC and other big Japanese electrical groups have all acknowledged that the strength of semiconductor demand has been a major contributor to profit

However, from about June this year markets for one megabit DRAMs, now the stan-dard memory chip, began to weaken. After nearly two years in which prices for these chips were more than Y2,000 apiece, they fell to around Y1,500 and, according to recent reports, are now approaching Y1,000.

A number of factors is con-

tributing to this situation.

Demand for memory chips has been weakening in the US and Europe for several months, apparently in anticipation of a general economic downturn. Moreover, once prices started to weaken, customers tended to postpone orders in anticipa-tion that, as in previous cycles, prices would soon fall much further.

Nevertheless, Japanese industry leaders and analysts are fairly optimistic that no serious collapse is in prospect.
They say the structure of the industry has changed dramatically in the past few years from one in which there were many suppliers to one in which the top six suppliers, all Japa-nese, account for well over 75 per cent of total world produc-tion. Thus, the potential for maintaining orderly markets has improved.

The producers have an addi-tional incentive to maintain prices at a reasonable level. Under the 1986 US-Japan semiconductor agreement, Japanese producers committed themselves to eliminating the dumping of chips. If it looked as if the one megabit DRAM price was approaching what the US side calls the fair market value (FMV), it is a fair guess that the Japanese producers would take drastic action to stop the

Mr Tsuyoshi Kawanishi, senior vice-president of Toshiba, said recently that he was not worrled about hitting the FMV because margins on one megabit DRAM margins had been rather high up to now. "But we must avoid a col-lapse in prices," he said. Industry leaders also point out that demand for one megabit DRAMs is still growing rapidly, and should do so for another two years at least. From an estimated 470m pieces this year, Mr Kawanishi fore-casts that world consumption will rise to 700m pieces in 1991.

Thus, the problem is one of balancing production with demand. Some analysts

became nervous about that halance early this year, when it emerged that the industry's capital spending plans remained very ambitious. Orig-inal published estimates indi-cated that combined capital spending in the semiconductor divisions of the seven top Japa-nese producers would reach Y45.8bn, 10 per cent higher than in 1888. As the year has progressed, plans have expan-ded, and it now looks like these companies will spend a com-bined Y50.6bn this year.

The companies claim most of this increase is to get production of four megabit chips under way and to accelerate moves to step up overseas production. For example, NEC decided in May to make a Y50bn investment in a new factory in California to produce

four megabit drams.

Meanwhile, the industry's three year old trade headache with the US appears to be eas-ing slightly. The US Semicon-ductor Industry Association published in October its annual assessment of Japan's compliance with the agreement and noted "an increasing will-ingness by the Government of Japan and Japanese electronics firms to work on ways to achieve their commitments under the agreement." In the spring of 1987, less than a year after the agree-

ment had been signed, the US side imposed sanctions against Japan in the form of punitive 100 per cent tariffs on a range of Japanese products, for alleged violations. US complaints that Japanese producers were dumping chips have long since disappeared as the world market tightened and prices rose, However, the US has remained unhappy about progress on the other main issue, access for foreign chip suppliers to the Japanese mar-

sales are growing rapidly - by

Japanese officials used to Japanese officials used to claim that the slow progress was due partly to the fact that the market was growing rapidly during this period, so it was difficult for anyone to gain share. Also, US suppliers, it was suggested, did not make the kinds of chips Japanese users wanted.

However Mr David Metz

However Mr David Metz. executive director of SIA's Japan office, said that these arguments tended to fade away when the US Government threatened earlier this year action under the super 301 provisions of last year's trade act. By then, the big six electrical

groups in Japan were already buying close to 20 per cent of their chips from foreign suppli-ers, but progress among small consumer product makers and in the motor industry was

much slower.
The Ministry of International
Trade and Industry (Miti) then called in these groups and demanded that they set out plans for increasing their use of foreign chips. Also, a task force was set up to iron out the alleged mismatch and supply problems.

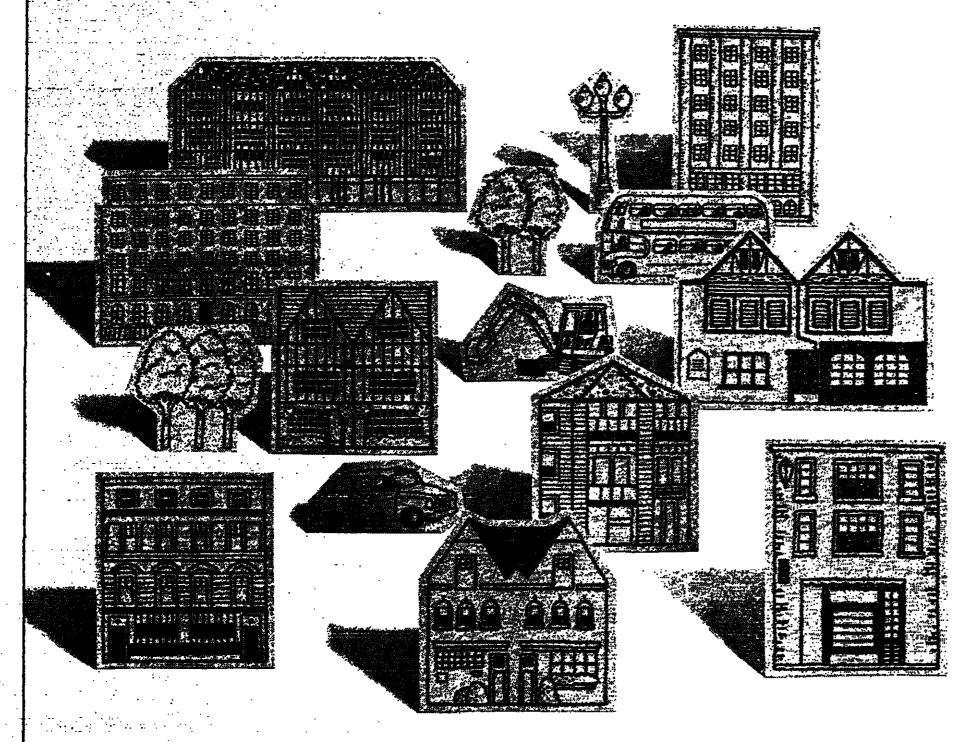
For their part, foreign companies have built up their Japanies

anese operations substantially to improve sales and service in this market.

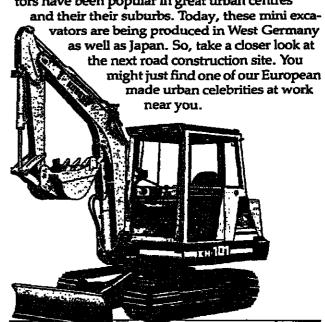
US companies have opened 17 design centres and have more than 60 sales offices through the country. Last month, Texas Instruments Japan broke ground on the construction of a \$40m research and development centre at Tsukuba near Tokyo. "We no longer hear complaints about quality, cost, delivery and service," Mr Metz says.

lan Rodger

# The Urban Celebric



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THERE is a love of the new in Japan. The used car market is relatively small, second-hand televisions are virtually impossible to sell, and now the construction industry is thriving on the desire of companies to rebuild office complexes or just to make their buildings "more

These are good times for the biggest contractors, which are struggling to find workers to keep pace with orders, and which have become selective about taking on less profitable

public works projects.

After declines in construction investment in 1982 and 1983, the industry has recorded growth of 7.2 per cent, 14.6 per cent and 9.3 per cent in the last three years. The industry was helped by an 8.8 per cent investment in 1986, and private

Gross National Product GNP (Real — CY1980 prices)

Construction investment

(FY1973 - 100)

(Real FY1980 prices)

Construction investment (Real — FY1980 prices)

Public construction investment

Ratio of construction investm

construction investment rose 19.5 per cent during 1987.
This year, companies in the first tier are routinely report-

ing 30 per cent increases in pre-tax profits for the first half to end September. Taisei, one of the largest general contractors, reported a 37.5 per cent increase and Ohbayashi 32.1 per cent. Fujita Corporation, prominent in Tokyo develop-ments, reported orders received during the first half rose 30.8 per cent and the order backlog rose 16.5 per cent. The weight of orders has put the industry under strain, and

comes at a time of increasing labour shortages in Japan. Mr Yoshihiro Yamada, planning director at Kajima, explains that when there is a choice of jobs, working on a construc-tion site is not the first choice. Mr Yamada talks of the "six

258.241

50.069

20.273

Ratio

4.9 3.2

-0.3

-0.1 -0.4

267,700

47.599

19,899

27.499

16.8

17.7

1981

259.669 250.159

50,220

20.297

Ratio

5.9 3.3

1.6

3.5

Robert Thomson looks at the construction industry

#### **Building on success**

Ratio %

5.0 5.2

14.6

7.4 19.5

The world is inviting Japan to join it in new ventures

Aerospace interest takes off

61.390

122

22,490

38.900

19.0

333,150

67,120

131

29,540

43.570

19.4

Ks", which are six popularly perceived reasons, all begin-ning with the sound "k" in Japanese, for not working in construction. The Ks cover concerns from a low salary to the dirtiness and potential dan-ger of the work. "The economy is in a general upward trend, and young people don't want to work in construction compa-nies at times like this. For example, they don't like having to move from place to place. If they had a choice, peo-ple would prefer to work in a factory for Toyota."

General condition of the Construction industry (Ybn)

48.547

19.469

16.0

16.9

6.7 5.1

2.0

321.290 293.982

49.985

19.254

30.206

15.8

16.5

6.0 4.5

2.9

334.589 301.834

53.563

20.850

32.650

17,7

Retio %

4.3 3.7

-4.9

- 1.8 -7.0

The shortage of labour has lifted salaries by about 50 per cent over the past two years, and, combined with rising raw materials prices, has made some general contractors reluctant to take public works pro-jects, which are often budgeted a year earlier and leave little room for cost fluctuations.
Mr Yamada said some public

works jobs cannot be taken "because of the supply and demand problem", and the larger construction companies agree public works budgets hould be increased because

4.1 2.7

7.2

"we could end up in the red on these projects. "We have to take certain public works projects because

we have to maintain a relation-

ship with the government."

The often cosy relationships among Japanese construction companies is coming under increasing scrutiny by Washington, which has just agreed on a compensation payment of around Y4.7hn from about 100 Japanese companies found to have "rigged bids" at above market price for projects at the US naval base at Yokosuka.

Ratio

%

5.4 4.9

9.3

1989

4.5

389.700 346.500

70.110

132

24.030

18.8

Japan's Minister of Construction, Mr Shozo Harada, has maintained that the US "misunderstands" the indus-try, and Japanese officials have said clearer guidelines will be said clearer guidelines will be provided on specifications in tender advertisements. While that might help glamour projects foreign companies will continue to find it difficult to penetrate the Japanese office and housing market.

For Washington, the case confirmed suspicions that Jap-

anese construction companies

lude to exclude competition. The US has contemplated

imposing sanctions on Japan

to open the construction mar-ket to freer competition, but a

decision on possible punishment is unlikely before next

May, when the two countries will review market opening

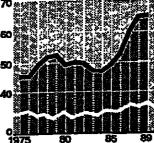
progress over the past two

using a "dango" syste

Mr Taiji Miyamoto, manag-ing director of the Japan Federation of Construction Con-tractors, said that bigger construction companies don't need to take a collective approach to contracts, but "if smaller companies are to survive, they have to agree so that each can get a job". The Federation believes that "Japanese

Construction **Investment** 

Real, 1980 prices (Trillion Yen)



and US construction companies have basically the same opportunity" in the market. There are about 510,000 Japanese construction companies, with about 99.2 per cent of them with a capital value of under Y100m. The smaller companies do not have the ources to develop laboursaving technology, and, in sub-contracting, are squeezed tightest by the labour shortage, as workers tend to like bigger construction companies with bigger projects,

A consequence of the building boom is that corporate cus-tomers are tendering less and negotiating more contracts with construction companies. The contractors like negotiated work, as it normally means joining a project in its earliest stages and adding value right through the construction chain. And the customers like the certainty of having a construction company committed

to a project.
In the past two years, negotiated work as a percentage of orders has risen from about 70 per cent for the largest companies to around 75 per cent, with one company apparently negotiating without tender for just on 85 per cent of its contracts. The trend highlights the importance of established links with major clients, as even some second tier Japanese companies are struggling to keep pace with expansion in the industry.

Mr Yamada at Kajima expects demand will remain strong over the next two years, but 'in 1991, the level of orders could fall". He said the redevelcould fall". He said the redevel-opment of Tokyo and Osaka is far from complete, and the Construction Ministry esti-mates about 40 per cent of building investment this year will be in Tokyo. "We are going to have more and more intelligent buildings, and peo-ple want more space. In order to meet these demands, build-ings constructed 20 years ago to meet these demands, build-ings constructed 20 years ago will have to be remodelled or reconstructed," Mr Yamada

Building is also likely to be encouraged by a Tokyo Gov-ernment land rezoning in Octo-ber, though the effects of the changes are still unclear. The Federation of Construction Contractors says that the lon-ger-term prospects for the industry are "still a question", but presumes that present "favourable tendencies" will continue in the short-term.

JAPAN'S fledgling aerospac manufacturers, set to take off into foreign skies, are finding the doors to world markets wide open, with more than a few beckening calls from the

As the rising costs and risks of production have pushed aerospace makers into wider networks of international collaboration, the industry's giants in the US and Europe have turned increasingly to Japan in their search for partners with an excitement about the business, technological capability and, above all, deep

In 1978, Rolls-Royce called on Japanese makers to participate in the joint development of a jet engine. It was a partnership which developed into a five-nation consortium, International Aero Engines (IAE), and resulted in the production of the V2500 engine. Japanese companies are also participat-ing in the co-development of RJ500 turbofan engine.

Boeing recently sounded out several Japanese companies on the possibility of their particlpation as risk-sharing partners in the development of the Boeing 767X, a new wide-body jetliner which could be the last ect of the century.

JAPANESE industry across a wide range of manufacturing sectors is engaged in one of the most astonishing periods of re-tooling, factory re-equipment and capital investment on new

production capacity.

If anyone wants to look at an industry that brings a new definition to the word "busy" they should take a peep at the Japanese machine tool and production equipment sector.
Its plants are creaking at the

eams with orders. The order backlog among members of the Japan Machine Tool Bullders Association stood at Y463bn at the end of the first eight months of this year, the biggest in history.

Meanwhile, the Europeans are also stepping up efforts to. woo the Japanese. The French Groupement des Industries Françaises Aeronautiques et Spatiales (Gifas) came to okyo last month to discuss

utacturers, this trend is welcome, as it offers them a relatively smooth entry into a high-risk business with little of the tension and friction that faced their predecessors in the

The industry's giants in the US and Europe have turned increasingly to Japan in their search for partners

automobile and semiconductor While the controversial US-

Japan joint fighter project, the FSK, has seen something of a protectionist uproar in the US, there is no doubt that the

trend in the industry is set towards greater international collaboration in which the Japas partners with an increas-ingly significant role to play. While Japanese manufacturers Production this year, already Y723bn for the first eight

months, is going to surpass the

previous high of Y1.05 trillion (million million) in 1985. Total orders in the six months to June were up 30 per cent on the same period last year and production was higher by more than a quarter. To underline how striking these figures are, this follows a big surge in capital investment last year following much more difficult years in 1986 and 1987. Machine tool production was up 28 per cent last year and orders higher by 43 per cent.

Exports are doing well, up 12 per cent. But what is driving this enormous surge in activity

joint development of parts. For Japanese aerospace man

Western makers in aerospace production, their technological strengths in many areas are highly rated, as evidenced by the substantial amount of subthe substantial amount of sub-contracting they already do.

The Japanese themselves are confident that they can provide the necessary technology if given the chance. "As far as capacity is concerned, we could make any type of engine," says an official at Ishikawajima Harima Heavy Industries (IRI), Japan's pre-eminent maker of aero-engines. "It is the produc-

have lagged behind the major

aero-engines. "It is the produc-tion costs and marketing abil-ity that restricts the type of engine we can make," he says.
Strong worldwide demand
for new commercial aircraft
will offer the Japanese greater opportunities to hone produc-tion skills through subcontracting and joint participation in new projects. The world's airliner fleet is expected to expand by 42 per cent between 1988 and 2000, according to a

report by Baring Securities.

Continuing orders by Japan's Self Defence Agency and various joint defence production programmes with the US will offer further possibilities as well. The FSX programme, for one, will serve as a major testing ground for some of the leading edge tech-nologies with which the Japa-

nese have been experimenting.

Members of the industry, however, question to what extent experience in military production can lead to advances in commercial aircraft production, since priorities and technologies are different for many areas of military and commercial aircraft. But military technology has,

m previous cases, been applied to commercial fields. It has often been pointed out, for example, that Mitsubishi Heavy Industries makes its MU-300 business jet on its F-15 production line. Mr Bruce Rosrecent report that "F-15 tech- have worked as production airframe design.

nology for composites, avionics, instrumentation and propulsion seeped into MHI's civilian production."

Major advances in commercial aircraft manufacturing would be made more directly through ongoing joint projects such as the medium-sized B7J7 being developed with Boeing. This is the first joint project in which the Japanese are participating from the research and design stage through to production and marketing.

The B7J7 project has been stalled at the basic research stage due to changing market conditions. Nonetheless, the Ministry of International Trade ustry (Miti), which has designated aerospace a key industry, has slated another Y2.7bn in research funds for fiscal 1989 alone.

Hopes are pinned on the commercial success of the IAE's V2500 engine, which is the first commercial jet engine The industry, with Mitt's strong support, is concentrating on building strength in two specific areas: short-to-medium flight airliners for regional demand and high-speed com-mercial transport (HSCT).

Demand for the former is expected to increase, particularly where traffic is fast-growing in the Asia-Pacific region and feasibility work started this year on a 75-seat commuter plane, the YSX. The YSX programme will eventually become an international joint project in which Miti is keen for Japanese makers to assume a leading role.

Work is also in progress on the development of HSCT air-craft, which is another area where Miti would like to see Japanese initiative, particularly in the development of an engine and airframe. The Government has allocated funds this year for research on a pro-

Does this indicate the beginning of a Japanese challenge to Western leadership in aero-space? In the view of most analysts, probably not. The domes tic industry initially fell far behind the West due to a post-Second World War ban on aircraft production, but has been stunted more significantly by the lack of a sizeable domestic

'A brand new airliner would today swallow US\$2-3bn in R&D and a further US\$2bn in

Future growth of the Japanese industry will stem mainly from continuing international joint ventures

inventory build," writes Mr Simon Hookway in a recent Baring Securities report. It also takes about 20 years to com-mercialise a new airliner. Japa-nese manufacturers, lacking marketing strength, have thus far been unable and unwilling to take the plunge into the commercial market

"The ability to make com-mercial airliners hinges not so but on the ability to take the

risk," say Mr Yasuichi Arao, senior managing director of the Society of Japanese Aerothe Society of Japanese Aero-space Companies (SJAC). Japa-nese manufacturers just do not have the history of reliability and the network of ground support which determine market-ability, to take that kind of risk. Future growth of the Japanese industry, then, will stem mainly from continuing participation in international joint

Trade friction, particularly Trade friction, particularly with the US, has also made industry and the government acutely sensitive to Western fears of an emerging Japanese presence in aerospace. Japa-nese industry officials do not fail to stress the importance they place on joint production arrangements as the best way for Japanese firms to enter the global market. Miti says that it will only fund joint interna-tional projects and only in the R&D stage. While the ministry is eager to develop the domes-tic industry, it is also anxious to take the opportunities offered by joint programmes as a way to promote the interna-tionalisation of Japanese companies themselves. Japan can no longer walk a solitary road

Michiyo Nakamoto

Machine tool manufacturers are creaking at the seams

### The word 'busy' redefined

on the shopfloors of Japan's powerful machine tool industry is domestic demand. And

this is being led by Japan's motor industry. According to the Japanese motor manufacturers associa-tion, the Japanese car industry has been introducing over the

motor show was jam packed with new Japanese models. A large proportion of the more than 30 Japanese concept cars on show there are destined for production.

This huge outpouring of new products from the country's vehicle-building plants has meant large re-tooling programmes in the Japanese car industry. The order backlog for

vehicle industry was Y140bn by July this year, up from Y95bn in the same period last year, a jump of nearly 50 per

However, every new carbur-ettor, cylinder head or back axle component that arrives on the market for the first time

As a result the motor industry has been driving machine tool demand across a wide range of

This phenomenon, and the bulging order books for electronics products and heavy machinery like construction equipment, has fuelled large

right through manufacturing. The backlog on machine tool orders for general machinery, for example, was up nearly 40 per cent at Y224bn.

Mr Shinshichi Abe, executive director of the machine tool builders association says machine tool companies are working flat out. This is obvi-ously good news for the 186 substantial machine tool producers out of the 2,000 or so companies making production equipment and of which 112 are in the association.

Deliveries of some machines have now stretched to 18 months. Even so, says Mr Abe, some companies are telling customers they are going to be late on promised delivery times, in some cases by up to There is a general shortage

many components and a lack of labour in the industry. This is despite an increase in the labourforce of the association's 112 members from just under 33,000 last year to 34,500

Mr Abe believes there will not be very much new capacity introduced by Japanese machine tool makers because everyone can remember the more difficult years of 1986 and 1987 when the industry sought overnment help.
The pressure on domestic

supply, might, however, fur-ther increase the pressures on Japanese machine tool companies to set up production facili-ties overseas. They have already done this in substantial numbers, first in the US and then in Europe, mainly France, West Germany and the

Yamazaki Mazak, the world's biggest machine tool company, with sales last year of about \$800m, recently announced that it was setting up a components plant in France (and in Singapore) and might eventually do the same in West Germany. It already has a plant in the UK producing complete machines but has been struggling to supply enough compo-nents from Japan.

One feature of the machine tool industry's presence over-seas is the way specialist machinery and press makers for the car industry have piggy backed into the US and European markets on the back of Japanse car transplants in the US and the UK.

Another is the slow emergence of joint ventures in factory automation, an area where Japan aims to become a major supplier. It is already attempting to take a world lea in the development of MAP. a

linking technology for improving workflow through produc-

tion plants. Joint ventures and other deals in technology and mar-keting have been few and far between and have tended to concentrate on electronic prod-ucts like workstations. Fanue, the robot and machine tool control maker has a joint venture business with General Electric of the US in controllers and Mitsubishi Metal recently announced a joint venture in automation with West Germany's Dinkel Industrie Automation.

Machine tool makers believe there could be a downturn in general economic activity in their domestic market towards the end of next year. However, they believe there will still be a tremendously healthy demand for production equipment which will result in a further wave of low cost pressures emanating from Japanese

industry.

Mr Teruyuki Yamazaki, president of the company of the same name says labour shortages will finally persuade Japanese subcontractors and small suppliers to install flexible, advanced production systems.

If this does happen, the funding for it is likely to come via

the country's rocketing land prices. It is a favourite point to trot out in Japan, whether true or not, that the land of the Imperial Palace in Tokyo, if you could sell it at market value, is worth more than all the land in California.

That seems highly improba-ble but even small subcontractors are sitting on extraordi-narily valuable land. This land can be used as collateral to cover bank loans for new production machinery.

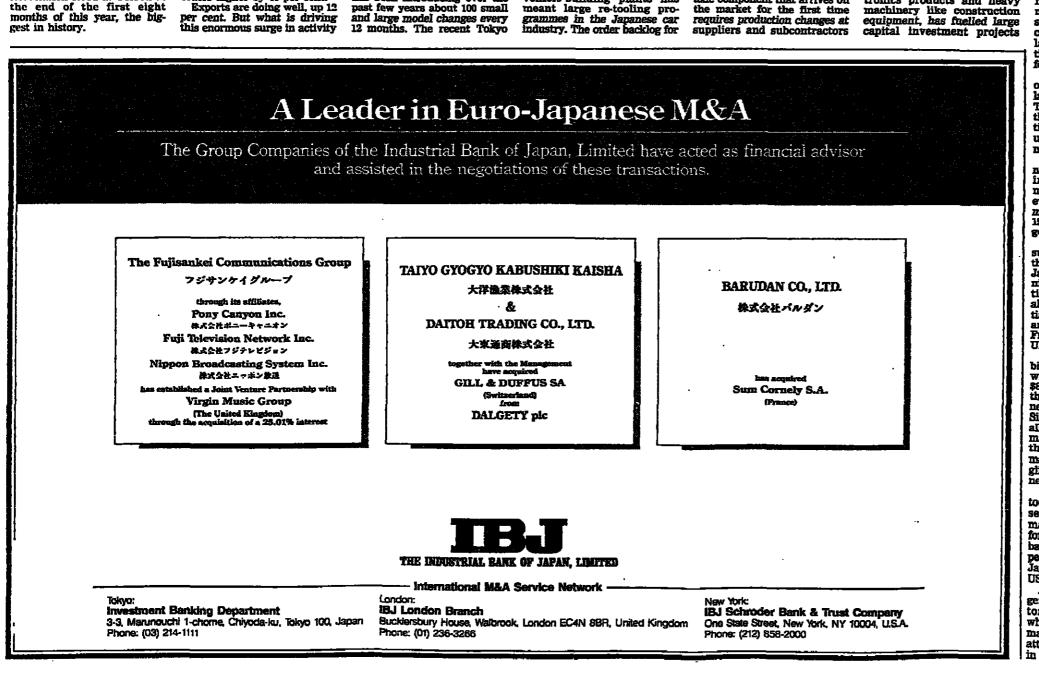
Japanese banks are full of cash and they are willing to lend to even small companies," says Mr Seinemon Inaba, president of Fanuc.

Despite Japan's large num-ber of plants that are advanced in terms of production equip-ment, the country, like every other still has a lot to go at in raising production standards. Between two thirds and three quarters of the country's

machine tool output is of machines with numerical controls (NC) but less than 15 per cent of Japan's machine tool base is made up of NC

Fanuc says there will be strong domestic demand for laser cutting equipment, injec-tion moulding machines and

**Nick Garnett** 



# East Japan Railway Company On the Fast Track to Growth

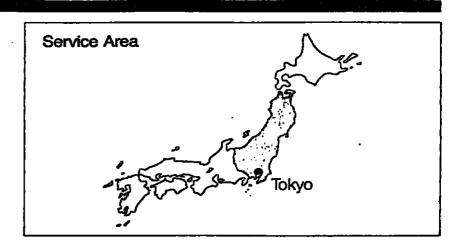
#### The Company

Formed through the privatization of the Japanese National Railways (JNR) on April 1, 1987, the East Japan Railway Company (JR East) is Japan's largest railway company in terms of

revenues, number of passengers, service area and track length. In fiscal 1989, ended March 31, 1989, revenues from railway operations rose 5.0%, to ¥1,613 billion (\$12,217 million), or 96.9% of operating revenues. Intensive efforts to diversify boosted revenues from other operations 66.5%, to ¥51 billion (\$386 million). JR East expects revenues from related businesses—including real estate, resort development, and hotel and restaurant management—to continue growing fast, equaling those from passenger railway services by the year 2000.

passenger railway services by the year 2000.

Despite massive start-up expenses incurred in nonrailway activities, total operating expenses rose only 5.7%, to ¥1,330 billion (\$10,074 million). Net income soared 50.8%, to ¥41.4 billion (\$314 million).



### Boosting Profitability

Profitability is a prime concern of any enterprise. This is especially true in JR East's case, with JNR's loss-generating record on which to reflect. JR East's management and employees resolved from the outset to make their new company as profitable as possible and to guarantee safety, punctuality and service.

Metropolitan Tokyo is our most important operating region, but it is a relatively mature market. We expect revenues to continue growing steadily, and we are emphasizing efficiency and new services to the ever-widening suburbs and outlying areas. Meanwhile, revenues from our Shinkansen Bullet Train network should also grow solidly.

Related businesses, however, are slated as our prime growth area. We have substantial holdings of property and other assets in Tokyo. We can better use our physical resources and employees and more effectively tap our enomous customer base by diversifying into new business areas.

Unlike JNR, JR East is authorized to engage in nonrailway activities. We have established 14 subsidiaries in related fields because we recognize that autonomous companies are more aggressive and responsive to customer needs than directly controlled entities. We plan to form a corporate group with several satellite subsidiaries revolving around core operations. These subsidiaries will in turn support numerous affiliated companies.

Advertising and distribution are two well-established satellite operations. Those slated for dramatic expansion include finance, hotel and restaurant management, real estate, and sports and leisure. Through these new businesses, we are confident of generating significant profits while providing an array of quality goods and services.

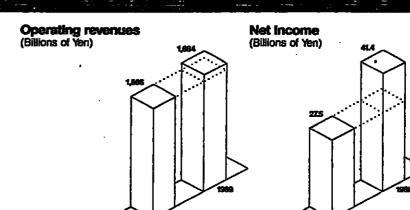
### Strengthening

# Strengthening Customer Confidence

New companies often have difficulty establishing an identity. JR East was no different. People knew JNR, but were not always happy with its service. JR East set out to prove that it was new and that it would put the customer first.

After declining under JNR, the number of rail passengers and passenger kilometers in our operating area have jumped in the past two years. These rises are due partly to added train runs on our most popular lines, new low-cost, reserved-seat services for long-distance commuters and heavy investments in station refurbishments.

We are transforming stations into community hubs with full amenities. Cultural activities have also helped change the traditional image of the station. It is no longer simply "the place to catch the train," but is becoming a destination in itself—an indication of already solid customer confidence in JR East.



#### Upgrading Our Technological Base

It is hard, but important, to improve on a superb record. JR East strives to better an on-time record that would be the envy of almost any transport company—an average departure delay in fiscal 1989 of 24 seconds, and an average of a mere six seconds for the Shinkansen. We also have an impressive history of safe operation: there have been no passenger injuries or fatalities on the Shinkansen.

The goal of all JR East employees is to build on this performance, especially in terms of safety and punctuality, in line with ongoing training activities and a long-term companywide safety program.

Keeping rush-hour trains running on schedule greatly reduces the likelihood of accidents caused by backed-up trains and overcrowded platforms. We have therefore replaced many older steel railcars in the metropolitan Tokyo area with lightweight stainlesssteel cars that travel faster. New railcars and the concerted efforts of our employees have cut intervals between trains, as reflected in the March 1989 timetable revision.

We are also endeavoring to streamline our maintenance activities. One possibility is to employ more automated equipment, such as rail inspection devices for use on scheduled commercial trains rather than special inspection trains.

JR East researchers are working to boost the maximum operating speed of the Shinkansen from 240 kph to 275 kph, and eventually to 300 kph. We are also developing the magnetic levitation (MAGLEV) linear motor train. In the long term, this investment will produce a quiet, high-speed transportation system more time-efficient and convenient than air travel.

For further information and copies of our Annual Report, Fact Book and other publications, please write to the Finance Department at our Head Office.

JR

EAST JAPAN RAILWAY

Tokyo and Eastern Honshu...

EAST JAPAN RAILWAY COMPANY

Corporate Data

Number of Employees; 81,957 Number of Stations: 1,697

Number of Rolling Stock: 13,753

Deby Train Runa: 13,146 (As of March 11, 75 Passenger Une Network: 7,478 kilometers Passengers Served Deby: 15 million (approx.) Poculation of Operating Area:

Head Office East Japan Railway Company 6-5, Marunouchi 1-chomo, Chryode-ku, Tokyo 100, Japan Phone: (03) 240-5563

Served Deay:
approx.)
(Operating Area:
approx.)
(Operating Area:
approx.)
Bureau de Parra
24-26, Rue de la Pépinière,
f-75008 Pars, france
privey Company
chi 1-chome, 100 Legan

#### Robert Thomson analyses how a failing industry went from recession to riches in 212 years

#### Tide turns for shipbuilders

WiTH a faint smile, Mr Wataru Satow explains that a customer wanting Ishikawajima-Harima Heavy Industries to build a ship will have to wait.

The order books are full, and Mr Satow, general manager of corporate planning, and IHI can allow themselves the lux-ury of building a yacht for a Japanese attempt at the next

America's Cup. From having been a member of a recession cartel until two months ago, IHI and other Japmonths ago, thi and other sap-anese shipbuilders are looking for ways to expand capacity within government guidelines, set to salvage an ailing indusset to salvage an aning mains-try 2½ years ago. Then, the Ministry of Transport presided over a 24 per cent cut in capac-ity from 6m cgt (compensated gross tonnes), and the depar-ture of 18 of 44 companies from the industry.

the industry.
This year, Japanese companies have reasserted their dom-inance of the industry, having won 49.4 per cent of interna-tional orders in the first six months, up from 39.1 per cent last year. South Korean shipbuilders, whom IHI and other companies feared would overtake them, have slipped from a peak of 30.2 per cent of orders in 1987 to 23.1 per cent in the

first half of this year. IHI has plans to turn a repair yard into a building facility, although Mr Satow emphasises that this is not a new shipyard". The Ministry of Transport is still monitoring the industry, and is aware that a sudden increase in capacity would antagonise other countries with industries that have also undergone a painful retrenchment in recent years.

The issue is made more sensitive by intense US pressure for an end to subsidies to the shipbuilding industry, and by a recent attempt by the Ship-builders' Council of America to have the US Trade Representative investigate allegations of unfair government support for the industries in Japan, South Korea, Norway, and West Ger-

Mr Takao Shinohara, The Transport Ministry's official responsible for shipbuilding, said that while the US did not pursue the shipbuilders' com-plaint, the Trade Representa-tive has increased pressure for

a removal of subsidies.

Japanese officials were surprised when Mr Linn Williams, the deputy Trade Representa-tive, headed a US delegation at weeks ago. Mr Williams, renowned in Japan for his vigsenior to Japanese representatives, who interpreted his presence as a symbol of intensified

US interest in the issu Mr Shinohara said Japan supports an end to subsidies but believes that they should be divided into two categories; those which obviously distort shipbuilding production, and

assistance has included the Designated Shipbuilding Enterprises Stabilisation Association buying the surplus land and facilities of troubled compames, and extending debt guar-

restructuring subsidies are as bad as the government subsi-

This year, Japanese companies have reasserted their dominance of the industry, having won 49.4 per cent of international orders in the first six months, up from 39.1 per cent last year. South Korean shipbuilders have slipped to 23.1 per cent in the first half of this year

those which are of lesser importance. For example, he said, preferred tax treatment is very different to outright sphaldies such as a government paying a certain percentage of a

Shipbuilding

vessel's cost.

He said that Japan has abided by OECD guidelines in restructuring the industry and has reduced capacity from a peak of 9.8 cgt since 1980, but "the US is saying that the

New ship completion and forecast

Aggregate reduction as a % of Japanese heavy industrials' sales

Mr Kazuichi Murai, mar ing director of the Shipbulld Association of Japan, said that "there is a difference in word subsidy". He said that the Japanese industry supports the US campaign to identify and eliminate damaging subsi-dies, though he does not count

(b) Based on ships of over 2,500 GT

Having been been through two cutbacks in the industry. Mr Murai is cautious about the good times of the present: There is a boom going on. In every country things are flow-ing, but we have to be careful not to make too many ships. We are still a bit unstable, and We are stall a bit instable, and there is a lot of speculation going on in the market, so we have to make sure ships are being made to meet demand." Shipbuilding is troubled by Japan's labour shortage. Mr Murai said that because of the

difficulty of attracting young people to the industry, the average age of workers is sing, and productivity is

"It is a serious problem. The industry has an image prob-lem, and even if we change the image, unless the type of work changes, people will not stay in the industry. We hear that in certain companies they can't afford to repaint the inside of the factories, which is not good for the work environment," he

The Transport Ministry is attempting to change the public's perception of the industry by backing a project to produce a "Techno-Superliner", a high speed cargo vessel with the potential to intended to haul 1,000 tonnes of cargo with a service speed of 50 knots. Research on the vessel began this year, and is scheduled to

itsubishi shipyard, Kobe: the Industry's leaders have shifted emphasis away from shipbuilding in recent years

st until 1993, and Mr Takao Shinohara says that applications from university gradu-ates to work in the industry increased after the project was announced.

"We believe that people don't only work for a salary. If they have a profession they want something more, they want to develop new, space age technology," Mr Shinohara said. The industry, he said, is

working very close to capacity, and the difficulty in finding new workers means that increasing productivity will

not be easy.
All of the leading shipbuilders have shifted emphasis away from shipbuilding in recent years. Shipbuilding generates about 14 per cent of IHI's revenue, about 7 per cent at Kawasaki Heavy Industries (KHI), 13 per cent at Mitsubishi Heavy Industries (MHI), and 13 per cent at Hitachi Zosen. Mr Satow said that shipbuilding would continue to generate around 14 per cent of IHI's revenue. The company concentrated on the production of heavy land machinery after the impact of the oil shocks on shipping, and has worked at let engine technology, which it says would be competitive internationally, if markets

could be guaranteed.
The shipbuilders announced to end September. MHI reported a 31 per cent increase in the sales of ships and steel structures, and a 29 per cent increase in total sales. Hitachi Zosen reported a a 16.3 per cent increase in shipbuilding sales and expects to record a profit for the full year to end March for the first time in four years.

#### **AIRLINES**

#### **Embarrassment** of profits leads to earnings cuts

JAPAN'S leisure surge is creating an embarrassment of profits for the nation's two big international carriers, Japan Air Lines Ltd and All Nippon Int I syswell A

With an estimated 10m Japa-ese tourists headed for foreign shores this year — more than double the figure of five years ago — the Tokyo press has this year mounted an attack on high air fares. The hostile environment has prompted the two carriers to duck for cover, and to find ways of covering up what has been and is a profit bonanza.

In the past two financial years Japan Air Lines (JAL) and All Nippon Airways (ANA) have twice changed their depreciation policies, thus slashing stated earnings by tens of hillions of yen.

S. G. Warburg Securities (Japan) Inc aviation analyst Mr Tom Hill recently estimated that in fiscal 1988 and 1989 (which ends next March) JAL will have shaved stated profits by about Y26.5bn as a result of rreciation charges.

ANA has made even larger profit cuts, Mr Hill says. He calculates the number two international carrier will effectively halve this year's earnings, shaving off Y29.5bn, through tougher depreciation ANA's new fleet of Boeing

747-400 aircraft will be especially useful for profit trimming. Each aircraft is likely to be written down 30 per cent in its first year, ignoring that the market value of each plane is probably higher than purchase

The company is also shifting its high-profit domestic routes into a new company called Nip-pon Airways, whose profits will be non-consolidated to make ANA's profit look less awesome to the Tokyo press.
The Japanese aviation

the Japanese aviation bonanza is set to continue for at least a decade. Infrequent overseas travellers before the yen escalated in 1985, the Japanese are only gradually building up to their full potential as tourists. Just 5.6 per cent of Japanese trees. Japanese took an overseas trip in 1988. Almost 17 per cent of Americans, 48 per cent of UK residents and 42 per cent of West Germans travelled abroad in the same year.

Most industry analysts feel

that the Japanese may never become as avid explorers of other parts of the globe as their American or European counterparts - partly because of Japan's distance from desired destinations. Time is another factor. The average Jananese salaried worker has only seven days annual leave. Even short-hop flights to Hong Kong (four hours from Tokyo) waste two days of precious lei-

sure time with travelling.
It is universally agreed the percentage of Japanese travel-ling overseas will continue to The two big Japanese carriers can look forward to another decade of rising revenues and profits before confronting market maturity problems. Mr Geoffrey Tudor, JAL

spokesman, says: "We expect an annual growth rate in revenne per passenger kilometre out of Japan to increase by 6.5 per cent a year until the year 2,000." Although the long-term picture for JAL and ANA is rosy, short-term blockages in Janan's aviation infrastructure will moderate growth over the next three or four years. But

fares by 6-10 per cent.

The big problems the industry needs to resolve are capacity and convenience. At pres-ent, Japan's two big airports, Narita (Tokyo) and Osaka, are stretched to the limit.

expected to spur a big increase in flight schedules and passenger traffic. "The number of outbound

passengers will probably increase by about 9 per cent in 1990 and about 12 per cent in 1991," says Mr Hill. "However, this is less than half the natural growth that should be taking place. The natural growth rate in international travel at the moment, if there were no constraints in place, would be about 25 percent." Convenience may prove to be a tougher problem to solve. The Narita airport, in particular, is a logistics disaster and a major impediment to overseas tourism. Tokyo's clogged freeway system makes getting to Narita and out of Japan into a full-day affair, and a bus journey from a city terminal is at least 75 minutes. The freeway to Narita has become even more con-gested by the opening of the huge Makuhari Messe exposition centre alongside the Tokyo bay freeway. Even the last kilometre to the airport

the Transport Ministry, aware of the profits, has cut domestic

A second rimway at Narita is due for completion in March 1991, and the new Kansai Inter-national (Osaka) is due to open in March 1993. Both events are

> because of crowding around the terminal area. High prices of tickets, now a trade issue with the US, is apparently not a great deterrent to air travel. The price elasticity in the Japanese market is not so strong," says Mr Hill "People will pay what is necessary to travel overseas and a big cost reduction will not in itself increase overseas travel so dramatically. However, the Japanese market does suffer from strong time elasticity. Japanese tourists have little time to waste. The time taken in get-ting in and out of Narita is a major structural impediment to travel.

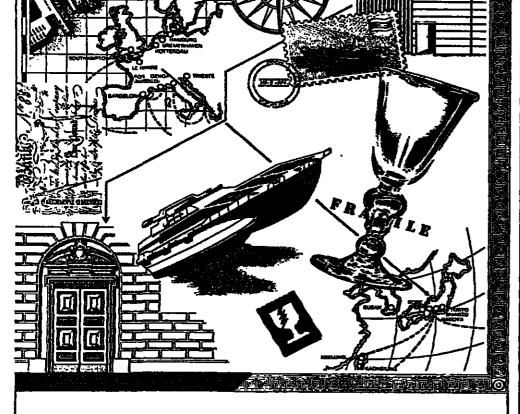
"While it takes longer to get from your home in Tokyo to Narita, than it does from Narita to your hotel room in Hong

Kong, there is going to a very strong time elasticity prob-lem," he says. Although revenues are run-

ning strong, neither JAL nor ANA are sitting back and letting the business take care of itself. Both have recognised that, after the Narita extension in 1991 and the Kansal opening in 1993, there will be substantial capacity increases, from domestic and foreign carriers, providing the first excess capacity in the Japanese market for four years. Both airlines are preparing for the changed conditions and are engaged in big fleet increases, coupled with huge investments in computer reservation systems (CRS) and hotels and resorts. JAL has spent Yen 100bn on its Axess CRS system;

invested a similar amount in its "Able" system.

However, the computer system investment pales in comparison to the hundreds of bil-lions of Yen the airlines are ploughing into hotels and resorts around the world. Both resorts around the world. Both companies are shooting for syneary profits: they calculate that it is easy to convince people who fly ANA or JAL to buy a package tour that includes an ANA or JAL hotel, and so are able to increase the return from each passenger. The hotel operations of both companies are reportedly still in the red are reportedly still in the red because of the massive build-up in new hotels, and it may be some years before the wisdom of the airline-hotel synergy theory is proved.



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### The battle of the bottled spirits

IT HAS been a watershed year for spirit brainds in Japan. Fierce competition, opened up by changes to the tax system in April, have resulted in a dramatic realignment in the market as foreign companies have sought to take advantage and domestic groups have attempted to hold on to their

sought to take advantage and domestic groups have attempted to hold on to their market share.

The tax changes, the conclusion of an 18-year campeign by the UK and other foreign governments, meant that, for the first time, Scotch whiskles and other imports competed on equal terms with Japanese

brands.
The excitement sparked off by these changes is understandable considering the size of the existing market as well as its untapped potential.
The Japanese whisky market stands at 20m cases a year. It is the third largest export market for Scotch, after the US and France, although Scotch accounts for only 9 per cent of

the Japanese winsky market, stands at 20m cases a year. It is the third largest export market for Scotch, after the US and France, although Scotch accounts for only 9 per cent of Japanese whisky consumption. Some analysis predict that the value of exports of Scotch whisky to Japan could outstrip those to the US by the end of 1990. On an annualised basis, Japan is now worth up to 75 per cent of the value of exports to the US.

The market remains ripe for spansion A Health Ministre

survey found that 90 per cent of Japanese men and 45 per cent of women consume alcohol (this is thought to be much higher among women under 35) while 78.6 per cent of the total population believe drinking alcohol is a "pleasant" part

Furthermore, per capita con-

Analysts predict that the value of exports of Scotch to Japan could outstrip those to the US by 1991

sumption, at just over six liftes is relatively low — Japan ranks as 27th in the international league. It has, however, been rising steadily, at an average of 1.8 per cent a since the 1960s, while the consumption of spirits has doubled since the early 1970s.

The tax changes on alcohol, introduced in April this year, made three changes in the regime for whisky and brandy.

Differential tax rates for each grade was abolished. Imported whisky and cognac came, by definition, into the top category, Special Grade, along with premium domestic brands; first grade comprised mid-priced domestic brands

while second grade was a large segment of price-competitive brands.

Tax levels were unified into a single tax, set at Y2,456 per litre of alcohol. This meant the tax on the special grade was halved, cut slightly on the first grade and that on second grade raised by over 200 per cent to the new flat rate.

the new flat rate.

The old ad-valorem tax on high-priced brands was abolished. This came on top of other taxes and was structured in a way that favoured domestic brands, penalising premium

imports.

These changes have been felt across the liquor industry, but most acutely by the two giants of the industry — the UK's United Distillers (part of Guinness) and Japan's Suntory which holds more than two thirds of the market.

United Distillers, which revamped its distributing and marketing arms earlier this year, reports that its key brands have performed even more strongly since the tax changes. Mr Chris Woolston, marketing director, is quick to point however, that the group's key brands — Old Parr, Swing, LW. Harper, Johnnie Walker Red and Black Labels and White Horse — were in a healthy position prior to the

"The setting up of a United Distillers operation to manage our interest in Japan and an increased emphasis on brand marketing have been key contributors to our success," he

says.
United Distillers says the
shake-out has been felt on
domestic brands particularly.

'Consumers are more image oriented. We expect the trend towards better quality whiskies to continue'

"As expected, the old domestic second grade brands have suffered dramatically since the tax changes. We expect that in total sales of domestic brands will index significantly down by the end of the year."

Suntary's prognosis is that imported whisky, which held 10 per cent of the market share

Suntory's prognosis is that imported whisky, which held 10 per cent of the market share in 1988, will double this to 20 per cent this year. Sales of imported whiskies have increased by 40 per cent this year.

The company — which

The company - which formed a shareholding and marketing alliance with Allied Lyons of the UK last autumn and recently took a 19 per cent stake in the Bordeaux wine

interests of the French GMF insurance group – said whisky and wine accounted for 60 per cent of total sales, beer 26 per cent, food and non-alcoholic beverages the rest.

The experience of United Distillers, confirmed by Suntory, is that expensive domestic brands are performing well but, as in the imported sector, only a small number of the highest quality and best supported brands continue to perform well.

"Consumers are more image oriented. People want a more luxurious lifestyle and they buy products to match that image. We expect the trend towards better quality, high priced whiskies to continue," says Mr Kazunari Yoshizawa, manager of Suntory's public relations department.

"After the tax reform the

"After the tax reform the general trend of customers favouring high-class goods has accelerated the buying of liquors. High quality and brand-image of each product has become more important," said Mr Yoshizawa.

Suntray count the wices of its

Suntory says the prices of its superior brands have returned to the level of 10 years ago, and that the market is expending strongly with a 40 per cent increase in sales since April. However, its first grade whiskies have shown less growth



A cooper at Nikka Whiskey's Yolchi distillery on the northern Island of Hokkaido.

than last year, while its second grade has suffered stagnant sales because of the drastic wice hits

price hike.

For both groups, changes in the market profile has led to a closer scrutiny of brands. Mr Woolston says that United Distillers has reduced its brand spread from 126 to 30, and it is concentrating on marketing just six of these. He says the group has no plans to rationalise its brands any further.

He adds: "Most of the new products launched by the

ise its brands any further.

He adds: "Most of the new products launched by the domestics to fill the price point gaps left when brands moved down after the tax change have struggled despite heavy sup-

Suntory is cautious about the changes it has made to accommodate the tax changes, but admits that it has upgraded its Reserve and Old brands – "in contents and bottle design." It has also introduced new products such as Hibliki, in the high price range and a new 12-year old, Crest.

The balance sheets of both groups tell the tale quite eloquently. Rusyant sales of tilled high in the change of the sales of the sales of tilled high in the company.

and a new 12-year old, Crest.

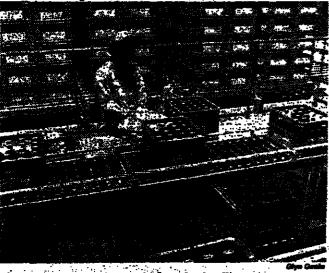
The balance sheets of both groups tell the tale quite eloquently. Buoyant sales of spirits in the Far East boosted Guinness's profits — pre-tax profits were up 24 per cent to 5246m in the half-year to June 30. Mr Anthony Tennant, Guinness's chairman, sald when the results were announced: "United Distillers, our spirits

company, has continued to improve its performance. Our business in Japan is developing well as a result of setting up our own distribution organisation."

In August Suntory, still a privately-owned company, reported that it had managed to maintain the growth of its whisky sales this year despite the tax changes. It said its distilled liquor and wine sales rose 6.4 per cent in volume terms in the first half of this year, but only 0.1 per cent in price terms because of price cuts on many brands. Its pretax profits reached Y11.7 bn on sales of Y354.1bn in the first half. Net profit was Y2.4bn.

#### BEER INDUSTRY

## A taste for new products



Bollied up: Sepporo Brewaries' production line

THE STAID Japanese beer market, in which brewers book for granted that drinkers had conservative taste, has been transformed into a fast-paced competition with rival companies releasing a batch of new recipes and backing products with marketing mania.

Until recently, the four major Japanese brewers had been locked into virtually unchanging market shares, with Kirin and Sapporo on top and Asahi and Suntory at the bottom. But Asahi changed the old order with a campaign based on a new product dry beer – the dryness comes from longer fermentation.

longer fermentation.

"The Japanese are now becoming aware that different kinds of beer are better for different times, places and occasions," says. Mr Shigeyuki Suzuki, a liquor buyer for Tokyo's huge lastan depart.

ment store.

Consumers, the marketing men say and sales prove, now prefer beer with flavour and strength yet with a cleaner, crisper taste. Before the Second World War, the tendency was to drink beer which had a bitter and heavy taste.

was to drink beer which had a bitter and heavy taste.

Asahi Breweries launched Asahi Dry in March 1988, and then, a year later, Asahi Super-Dry, which pushed Asahi's sales up by 47 per cent. The competition fought heek with dry beers of their own, as well as new taste concepts such as Malt's, a 100 per cent malt liquor. Yeast, which is farmented again in the bottle, and the extra heavy Winter. Story, sold only in the winter.

In 1986, Kirin's market share

In 1996, Kirm's market share dropped below 60 per tent for the first time, in .15 years, while, in .1988, Arabi's sales increased to 73 per cent, accounting for most of the 7.7 per cent increase for the industry. In the first six months of 1989, Asabi's sales rose 36 per cent against a 6.3 per cent increase for the industry.

Asahi's sales growth prospects remain strong compared to those of Kirin, whose August 9 amouncement that its beer sales are expected to increase a modest 3 per cent this year means its share of the beer market is in danger of falling below 50 per cent.

Evidence is mounting that the sales boom of dry beer has peaked. "I predict the fever will be terminated," says Mr

ager of the Sapporo publication relations department.

"Already there is evidence that sales have peaked in the major cities this summer. The focus is now on local cities,

Koyu Maezawa, general men-

where sales have been rising, but this will be over by next

Recent statistics bear this out. Beer sales were singgish during the summer. Only Asahi Breweries Superdry Beer enjoyed robust demand while Kirin, Sapporo and Suntory have each seen double-digit declines in sales for the first half of July on a year-on-year

Asahi's strong performance is still being driven by Super-Dry, especially in regional Japan. In the southern island of Kyushu, for example, Asahi saw an 85 per cent increase in beer sales last summer. But Asahi is expecting its sales to flatten out. Last October it predicted its 1989 beer sales would rise by 35 per cent, but the number was revised downward to 29 per cent in February and

to 25 per cent in August.
"I think we will see a return
to traditional brands by the
breweries. Sapporo will concentrate on draught, Asahi on
dry and Kirin on lager," says
Mr Messawa.
Kirin has recently adopted

the slogan "FII stick to lager bear", hoping to recapture its lost market share. The company has also changed the name of its leading brand "Ririn Beer" to "Kirin Lager", and hunched four new brands. These new strategles are beginning to show results in Tokyo's Suginami Ward, the origin of the 1886 Dry Beer incursion and long a key beer test market because of its large university student and young white collar populations. Kirin beer sales at five Suginami distributors have been on the Upswing since February, seconding to a company survey. Asahi's President Hirotaro Higushi concedes the company's lower forecasts for 1989 are due mostly to buoyant

sales of Kirin's lager beer.

The shift in drinking patterns is just one of many consumer fads that have hit Japan recently. A survey of the market share of 100 products and services in 1988 by Nihon Keizai Shimbun shows that market leadership changed hands in five product segments: mainframe computers, singlelens reflex cameras, low density polyethylene, wine and

A total of 31 leading companies lost market share, two more than a year earlier, and the trend is fuelling manufacturers' worries that overheated competition could bring about radical price reductions.

Caroline South

Real zebras, like most things in life, aren't just black and white. Even the whitest stripe contains a few grey hairs. Reality is, after all, mostly shades of grey. That's why Hitachi's late-model faxes feature a 16-step grey scale to clearly transmit even subtle shades. This capability results from a proprietary 0.125 mm dot scanning pattern and an image-processing LSI. Meticulous integration of these two technologies assures exceptional accuracy of tones over a range so wide that you can even judge the quality of a photograph.



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#### Brighter outlook ahead

generation and distribution have not had an easy time during much of the 1980s.

Problems caused by subdued levels of orders for new power stations worldwide was compounded by a weak domestic market following Japan's big power station building pro-gramme in the late 1960s and

Pressures were so severe that equipment makers began shifting labour to other activities and trying to select areas into which they could diversify, just as the country's steel makers have recently been

early 1970s.

Few, if any, power engineering production plants were mothballed, however, and it is a mark of the strongly indepenlent character of Japanese corporations that the downturn did not force any mergers or

Within the past year or two, things have begun to look up for Japan's equipment suppli-ers. While worldwide ordering has begun to awaken from its slumber, the Japanese domestic market for new power stations, power station automa-tion and electricity distribution

equipment has picked up. Total orders from the nine utilities in Japan (the three biggest of which are Tokyo, Kansai and Chubu) have been running at an average of Y3.3 trillion (million million) a year for 1987, 1988 and this year. For 1989, according to one estimate, total orders from the big-gest five utilities will be Y3.5 trillion.

That compares with an average of just Y2 trillion a year in the early and mid 1980s from

For the first time in five years, Miti has just raised its year on year expected growth rate for electricity demand – from 2.5 per cent to 2.8 per

Miti expects that Japan's power generation capacity will e over the next 10 years by kW50m as against the pres-ent installed capacity of

This figure of kW50m will be wholly new capacity and does not take into account extra capacity that has to be added to compensate for decommissioning of older power stations. The point has to be made, though, that there is not so much opportunity right now for replacement capacity in Japan as in some other modern

This is because the average age of Japanese power stations is relatively low and there is a strong tradition in Japan for refurbishing and converting stations rather than tearing

Of the Y3.5 trillion per year ordering programme since 1987, about 40 per cent is for power generation, the rest for power distribution and autowithin power stations.

All this is good news for Japan's once hard-pressed equipment makers. These include three full line equipment makers, Toshiba, Hitachi and (together) Mitsubishi Electric and Mitsubishi Heavy.

Yearly sales of each of these three groupings is substantial. The energy group of Toshiba, for example, has recently had average non-consolidated sales of Y500bn to Y700bn a year, a fifth of the whole of the Toshiba Corporation.

Other companies include Fuji Electric in hydraulic power generation, steam tur-bines and distribution equip-ment; IHI, Hitachi Zosen and Kawasaki Heavy in boilers and Meidensha in steam turbines. A gaggle of other companies and smaller suppliers include Takaoka Electric in distribution equipment, Kandenko in

electrical engineering and

GCR 0.3%

(1 unit - 166 MWe)

Heavy Ind. 34.5%

15,850 MWe)

42.2%

Smile 581

Nuclear power plant share

in operation, under construction and applied establishment permit

ual suppliers have developed very close relations with indi-vidual utilities. For example, the Mitsubishi group is the main supplier of thermal power generation for Kansai, according to a Nikko Securities

Equipment makers are having to contend with substantial forthcoming shifts in the split of power supply capacity. In 1988, hydro accounted for

22 per cent, fossil 60 per cent, and nuclear 17.4 per cent. By the year 2000, according to Miti, nuclear is expected to rise to 25 per cent, fossil fuel stations will decline to 54 per cent of the total and hydro's share will remain fairly static at 21

Within fossil fuels, the share taken by oil-fired stations is projected to fall from 33 per cent to 22 per cent within the next 10 years.

In terms of actual electricity generation, the figures are somewhat different. Oil-fired stations now account for 26 per cent of demand, which is planned to fall to 11 per cent by the year 2,000. Nuclear sta-tions, which also account for a quarter of demand now, are projected to supply 40 per cent of Japan'selectricity within 10 years. Hydro and liquid gas will remain the same at about 12 per cent and 20 per cent respectively while coal will go up from 10 per cent to 14 per

Equipment makers are well aware, though, that environ-

(14 units\*

13.390 MWe)

(10 units\*\*

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industry and private individuals for more

9,185 MWe)

(5 units - 3,801 MWe)

export markets and the pros-pects for Japanese companies to become involved in the wave of cross-border mergers and alliances that have funda-mentally changed the equipment supply industry in Europe and North America. The Middle East, Far East d South America have traditionally been the main export markets for Japan's power

rows over nuclear power could alter this equation. As part of

this shift in the nature of

power generation, equipment

makers are also seeing increas-ing demand for co-generation

systems powered by standard engines, gas turbines or fuel cells, often for individual

towns and cities.
Two further issues are

engineering industry although many of these countries are short of cash to buy new sta-tions. Mr Moriharu Kasagi, manager, marketing and over-seas planning in Toshiba's energy systems group, proba-bly speaks for many Japanese managers when he says the North American market is very attractive to him and his company. "But competition there is severe so it will not be

Combined cycle stations are attracting increasing interest as a target market for Japa-nese suppliers. There are new prospects for such stations in Japan and abroad and we are trying to intensify our effort in this market," says Mr Kasagi.

The Japanese have some joint ventures and alliances but few of any long term sub-stance. A number of companies are licensees of technology, mainly from US companies such as General Electric (GE) and Westinghouse. Fuji has marketing and distribution arrangements in switchgear equipment with GE in the Far East and Middle East, Mitsubi-shi supplies switchgear and gas turbines to the Northern Engineering Industries divi-sion of Rolls-Royce of the UK. Asea Brown Boveri, the Swiss-Swedish group, and Fra-matome of France have been seeking a Japanese partner. Both companies are believed to have talked to Mitsubishi. Whether any permanent joint ventures emerge from such talks, however, must be open talks, however, must be open



#### DOMESTIC APPLIANCES

#### The slumbering giant stirs

SLUMBERING giant or an industry forever trapped in its own domestic market? Japan's domestic appliance industry is huge, employs 140,000 people but, save for a few products such as microwave ovens and room air con-ditioners, is largely unknown

in most areas of the world. Japanese white goods manufacturers produced last year 110m units of the 30 or so biggest selling items with a total value of Y2.5 trillion (million

million). That included readily-recognischle items such as rafrigerators and vacuum cleaners, products specific to the Asian market such as rice cookers and electrically heated carpets, and equipment reflecting the marketing inventiveness of the Japanese. In the hig white goods stores in Tokyo's Akihabara district you can see trian-gular electric shoe driers and

water-squirting toilet bowls. The Japanese electrical manufacturers' association lists no fewer than 50 manufacturers of which the big six (Matsushita, Hitachi, Toshiba, Sanyo, Mitsuhishi and Sharp) account for 95 per cent of production. Mat-

biggest producers.
Of total output though, Y354bn worth of equipment was exported. That figure, partly because of a slide in sales to China since the "China boom" of the mid-1980s, was well down on exports valued at Y586bn in 1985.

Apart from microwaves, dominated by Japanese produc-ers all over the world, and small air conditioners, Japa-nese equipment is little known outside the main export mar-kets of the Middle East, China and the Far East. The bulk of the country's most successful exportable product - the microwave oven - is made in local plants in North America and Europe. Exports of vacuum cleaners and other types of domestic appliances from Japaneseowned plants in Singapore and elsewhere are relatively small.

Three main questions sur-round the industry. Will the increasing level of imports expand much further? manufacturers maintain their somewhat sliding control of price structures and distribution? Will producers establish plants in Europe and North range of their domestic appli-ances in a direct challenge to

Imports have risen dramatically though they remain a very small element of the market. Imports jumped last year by 60 per cent in value to Y49.5hm

nd are still rising. These included last year, 2.7m electric fans, 1.2m vacuum cleaners, 150,000 micro-wave ovens and 140,000 refrigerators, according to Jema, the Japanese Electrical Manufac-turers' Association. The bigshavers worth Y6.5hm - a sta-tistical freak among the list of white goods.

Much of this equipment

able income.

existent a few years ago.
In a striking move earlier this year, Electrolux of Sweden, one of the world's three biggest domestic appliance makers, announced an alliance with Japan's Sharp to market its white goods in Japan.

imposed by domestic Japanese

indigenous white goods mak-

comes from newly industria-lised countries, mainly Taiwan, South Korea and Malaysia. There has also been a minor surge in sales of more expensive western-made appliances on the back of changing consumer demand in Japan and the enormous rise in dispos-

In the first five months of 1989, 2,500 refrigerators made in the US and 1,400 made in

Europe were shipped to Japan.

Purchasing of such western goods is probably more than a passing fancy but it is hard to see Japan becoming a big mar-ket for western producers. However, one thing helping European manufacturers is a partial breakdown in the price maintenance rules essentially

manufacturers for decade This has been led by discount stores in Tokyo and the challenge to local manufacturers has been reinforced by

some Japanese stores actually seeking out foxeign products to display and sell.

Dai-ichi Katel Denki, a large home appliance retail chain, announced in the summer a joint venture with Sears Roebuck to import Sears' Kenmore brand of large refrigerators. Japanese manufacturers have not liked this attempt to break price maintenance structurer has blocked supplies to one group of discount stores.

ing to regain the initiative by. attempting to act in concert over the supply of equipment to those stores.

The third main question is whether Japan's domestic appliance makers will seek to sell more of their equipment in

Europe and North America by setting up production facilities there. Mr Hiroshi Takano, executive managing director of Hitachi's household appliances division, said last month that Hitachi would be interested in

manufacturing refrigerators and vacuum cleaners in Europe if it could find a European partner to do this. All the main manufacturers

have been looking at this idea. They are all aware, however, that it will not be easy given the strength of indigenous producers and differences in habits and tastes to be found in the Japanese kitchen compared with its western counterpart. A number of factors could encourage Japanese producers to move in that direction. Some types of equipment have become increasingly like their western counterparts.

The average size of a Japa nese refrigerator has increased from 200 litres to 350 litres in the past 10 years. The sucking power of the average motor used in a Japanese vacuum cleaner has doubled in the past three years, helping to account for an increase in price from Y20,000 to Y40,000.

At the same time, the pene-tration of most of the main types of appliances is now in the high 90s as a percentage of total households, though replacement is still keeping the

Some types of Japanese equipment, it has to be said. remain much more problem atic as a saleable item to western homes. One Japanese company has just introduced an integrated washer/dryer but Japanese washing machines -old-fashioned looking, top-loading plastic boxes that use totally out of place in kitchens in much of Europe. The same goes for short-legged, heated tables.

**Nick Garnett** 

#### Chris Perry on a 'closed' computer industry

#### Components to order

companies give a simple answer to queries about the openness of the country's components supply system: a supplier who delivers the cheapest, best quality components on time will get the order.

on time will get the order.
Officials at giant computer makers Fujitsu and NEC fend off criticism of allegedly closed component systems by pointing to successes of independent foreign suppliers. They say they go to a lot of trouble to inform current and petantial inform current and potential

whether or not Japanese companies keep component production in the family to the exclusion of competition has become a sensitive trade issue with the US, which insists that outside suppliers have little opportunity to break into the market regardless of price or quality of product. Japanese officials, however, argue that foreign producers must understand the subtleties of compo-nent specifications, and that it is difficult to meet the demands of a large Japanese company without components

that have been customised. Fujitsu said that it procures 80 per cent of its transistor logic semiconductors (TTLs), a basic integrated circuit, as well as many of its application spe-cific integrated circuits (ASICs) from Texas Instruments, which Mr Ichiro Komura, Fujitsu's deputy manager of production management, said is committed to supplying the correct materials. They do more than any Japanese supplier," he says. "Texas Instruments even has its own product line dedi-cated to Fujitsu only." TI, he said, is the only supplier outside the Fujitsu group that maintains such a production line. But few, if any, high technology parts makers can claim Computer makers produce

JAPANESE computer most of their parts in-house, companies give a simple effectively competing against independent suppliers, to maintain a high performance level. In all, NEC says that it procures 300,000 to 400,000 units per month for its Japan operations, and that black and white, as well as colour, liquid display screens are bought from independent suppliers, although the company is now developing its own colour screen. Fujitsu has a licensing co-operation agreement with Microsoft to buy software from its plant in Hillsboro, Oregon, which produces operating systems, although Fujitsu began an ambitious programme five years ago to set up regional software research

and development centres.

"People said we were crazy when we started the programme," Fujitsu public rela-tions spokesman Mr Korendo Shiotsuki said. The company now has 40 of the R & D centres. NEC, which buys most of its TTLs from Texas Instruments, estimates that 10 per cent of its parts are imported, while suppliers outside the company's structure comprise about 50 per cent of total costs. However Mr Shuji Matsu-

moto, NECs assistant general manager of purchasing, said that estimates on the cost of parts purchased from indepen-dent and foreign suppliers are difficult since the 350,000 items purchased per month are in various stages of completion, with some in sub-assembly form and others in their raw material form. Mr Matsumoto says NEC gives presentations to independent suppliers on the company's business trends in production, technical and market changes forecast over a six-month period. This helps them to meet just in time delivery and cost requirements and ncreases understanding.

its decision to choose one supplier over another depends on the three criteria of price, quality and stability of supply. "Our basic policy is to enhance local production for overseas manufacturing. Basically, the component is bought in that country where it is manufac-tured," Mr Komura said. How-ever he says "educating" outside vendors can be difficult. To get peak performance from suppliers, Fujitsu sources the same components from in-house and outside vendors. "To assess their technology level, we have to keep studying Two of Fujitsu computer

tor suppliers for its domestic assembly operations are for-eign. They are Texas Instru-ments and Motorola, both from the United States. Both compa-nies have manufacturing facilimes have manuacturing facili-ties in Japan, which ensures that their level of technology complies with Fulitsu's requirements, Mr Komura says. While Fulitsu sees physi-cal proximity to its production facilities as a low extraction facilities as a key advantage, NEC emphasises the role that information plays in its production strategy. NEC vice-president Mr Takaya Kijimoto says NEC has had to sim-plify its decentralised production style in order to cut lead time and assure correct forecasting and determination of level and time of quantity required. Instead of sending production information through the company hierarchy, NEC chose to instal a unified database with links to

NEC's domestic information system, called MINCS, is used by the company's purchasing group, including NEC subsidiaries, as a control system covering the status of all orders from placement to payment for each vendor. Suppliers' con-

tracts" are designed to foster the specifications demanded or the price, quality and delivery criteria that determine all maker-supplier ties.
Mr Matsumoto says NEC

gives suppliers a non-binding 3-6 month forecast of business needs to assure compliance with just-in-time delivery and other requirements. Purchase orders are de facto contracts issued on a monthly cycle with delivery schedules dependent on a particular order. Mr Komura says Fujitsu's contracts are not "firm commit-ments" of a set duration; like a year. Instead, a "fundamental contract" is established that specifies equipment to be supplied to Fujitsu based on clearly understood criteria.

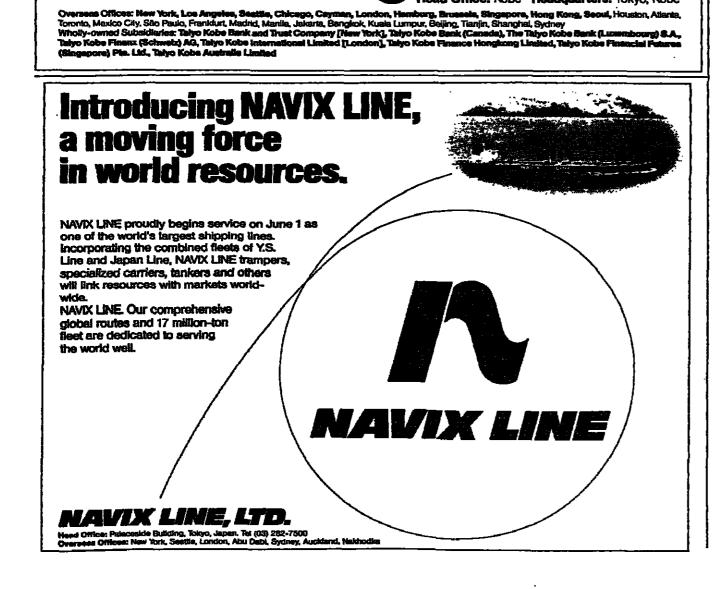
Although the company only buys in limited amounts as

production requires, "suppliers could easily assume Fujitsu will buy (from them) againnext year. It basically depends on the supplier," he says. Fujitsu commonly awards one contract to a vendor who supplier. plies items containing company original technology, which Komura calls "special products." However, some hi-tech components that use original Fujitsu technology are manufactured strictly in-house, Mr Komura says. The company decides to purchase lower tech "general products," like LCD screens and more common memories like lower capacity D-RAMS and S-RAMS on a

case-by-case basis.
"Japanese customers often request specifications that are different from US or other companies because Japanese companies want to differentiate their products from the out-side," Mr Korendo Shiotsuki of

Fujitsu said

The company suggests that overseas customers are not as particular in their specifications as Japanese companies, which are said to have a "subtle differentiation in their needs. However, US parts suppliers have complained that Japanese arguments about ... idiosyncratic specifications are merely a means of justifying not buying foreign parts.



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Nick Garnett investigates the toy industry

### Offshore production

THE toy industry is one that an amazing array of changes. Japan has been unable to One of these has been the naintain as an integrated pro-

ducer ou Japanese soil:
Fifteen years ago, the country's toy makers exported 60:
per cent of output and there were victually no imports. Now 45 per cent of the Y430bn domestic toy market (exchanges) is supplied by imports and most of Japan's toy companies have substantial production plants outside Japan, mainly in other parts of the Far East

This has been a long process, which was given an extra-impens by the revaluation of the yen in the mid-1980s. More plants went offshore. Tomy, a company with annual sales of

Y40hi, sold its operations in the US.

The process is continuing. Imports will rise further next year, according to the Japan international toy fair association. Tamiya, an important producer of radio-controlled. producer of radio-controlled cars and plastic kits which has had a determined policy of maintaining production in Japan from its base at Shi-zuoka, west of Tokyo, is now thinking of establishing a plant in Thailand. in Thailand.

However, Japanese toy com-panies together rank second-only to US toy companies (mainly using Far Eastern plants) in total sales. Some of their products are market leaders in diverse markets around the world. There is still a significant production base at "Toytown", the collection of subcontractors at Utsunomiya City, north of Tokyo, And the industry itself is going through

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astonishing rise of Nintendo, now easily the biggest in Japan's toy industry though it does its best to deny it is a toy

This former card maker and supplier of arcade machines (Japan is the world's biggest supplier of such machines) shot into phenomenal growth when it introduced its Family Computer in 1983.

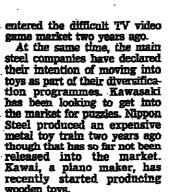
A games-playing machine, it is also now used in companies and on the Tokyo Stock-Ezchange According to Miss Assako Tatsumi, publisher of the Japan Toy and Hobby mar-ket report, Nintendo has sold 11m Family Computers in

Company sales increased 25 per cent this year, it is now making machines in the US, and is looking to sell this equipment in the UK. Though not a toy in the strictest definition. tion, 90 per cent of the machines are bought by young

Another trend is the emergence of Japanese electronics companies into childrens' products, a move which has caught the eye of the analysts and the stock market at the expense of

long standing toy makers.

This change has been led by Sony with some 11 products in its My First Sony range of chunky, cute-looking music equipment for children, Mat-sushita moved into the toy market for the first time this year with educational toys like "panakids" — a kind of telephone on which a child can be belped to learn English. NEC



wooden toys.

As a response to this, and as a consequence of demographic changes which mean the average age of Japanese children is rising, traditional toy makers have been edging into other

Mr Mike Hayakawa ("I'm Mike, you're Nick, right?"), general manager of the over-seas division of Bandai, one of the biggest toy makers with sales of Y78bn last year, says the company has been moving into fashion goods such as clothes and stationery, to add further to its partial diversifi-cation into music products, video and cartoons. Like Bpoch, another toy maker, it has been selling a lot of hand held games. Mr Hayakawa says 45 per cent of Bandai sales now come from non-toy products. Nevertheless, so-called character toys, usually taken from



Quality control (above) at a factory in Toytown, a collection of sub-co City, north of Tokyo. High-flyer (right): Japanese children at play

a TV or comic cartoon strip, are still the mainstay of many toy makers in Japan. Bandai said in October that strong sales of such figures partly accounted for its improved per-formance in the seven months to September with sales of

Y54bn for that period.
Tomy's best selling lines include the Zoids character toys and characters based on a TV cartoon, Osomatsu Kun, and Disney figures. Bandai's main character toy is the Gundum. Takara, another substantial toy maker which was struggling a few years ago, was

given a new lease of life this year with its Flower Rock, a pretty hideous looking collection of plastic flowers which move to sound vibrations.

One of the higgest issues facing the industry is its distribution network. "This is so complicated Moon Tutured."

it," says Miss Tatsumi.

The system has been under attack for some time from toy chain stores like Hello Mac, which decided, in effect, to buy direct from manufacturers by

purchasing its own wholesale The established system of getting toys to the customer is going to face an even bigger challenge very soon. Toys R US, the huge US toy store chain, has announced in a joint venture with McDonald's, the hamburger company, its intention to set up a large number of stores, starting in 1991. Rumours are rife that the com-pany could build up to 200 stores and it has made it clear that it will only buy toys direct from the manufacturer. "How this is going to work out in practice is anybody's guess right now," says Mr Hayak-





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**PROFILE: TOMY** 

#### Toytown's top ranker

TOMY, the toy maker, nestles of a small road in the heavily built-up, slightly down marked in by houses, the neighbourhood temple and a mahjong club its two modern office blocks look, rather out of place. In the car park sits a black

Was followed by a piece of bad luck. It made a marketing arrangement with Coleco but the demise of that company as a result of the burning out of the Cabbage Patch craze forced to make the carbon in North America, but much smaller than before.

Just 45 per cent of productions.

In the car park sits a black
Toyota Century with dark
tinted windows and curtains,
the archetysal behanoth used,
by Japanese business efficials,
including Mr Masanari Tomiyama, the elderly son of
Tomy's founder.

Parked slopeside is a silver

Tomy amploys 100 people in
direct manufacturing in Japan.

Tomy's founder.

Parked alongside is a silver
Porsche 944, the proud possession of Mr Kantaro Tomyama,
the 35-year-old president,
grandson of the founder and
the man who really runs

with the shooting stars of the car and electronics industry, and littered with difficulties. But Tomy, with yearly sales of about Y40bn, is one of Japan's biggest toy companies in an industry that ranks second only to the US in terms of total sales.

total sales.

The revaluation of the yen in the mid 1980s hart Tony like everyone else in the industry. The company set up an office in Hong Kong as early as 1970 and a production facility in Singapore in 1972. But currency shifts in 1985 6 forced it rency shifts in 1985-6 forced it Like many toy makers to give up its operations in the US — selling in to Coleco in 1996 for \$62m — and to produce even more offshore, culminating in the setting up of a plant in Thailand last year.

The sale of the US operation.

Tomy into again setting up an operation in North America, but much smaller than before.

Just 45 per cent of production is now carried out in

Tomy employs 100 people in direct manufacturing in Japan, indicating the large volumes of components it buys in from suppliers. It has separate subcontractors for injection moulding plastic parts, motors and labelling. Some contrac-tors, which also work for other toy makers, employ up to 200 but some have workforces of 40 or fewer

grandson of the founder and the man who really runs Tomy. The Porsche says something about changing habits in Japan. It also says something for the showbiz, shoot-fromthe-hip style of the toy industry's principal figures.

Tomy was the brainchild of Elichiro Tomiyana who started making tin toys back in 1924. Like most Japanese toy companies, growth since them has been small's pace companed with the shooting stars of the car and electronics industry, and littered with difficulties.

contractors for injection moulding, plastic parts, motors and labelling. Some contractors for injection moulding, plastic parts, motors and labelling. Some contractors for injection moulding, plastic parts, motors and labelling. Some contractors for injection moulding, plastic parts, motors and labelling. Some contractors for injection moulding, plastic parts, motors and labelling. Some contractors for injection moulding, plastic parts, motors and labelling. Some contractors for injection moulding, plastic parts, motors and labelling. Some contractors for injection moulding, plastic parts, motors and labelling. Some contractors for injection moulding, plastic parts, motors and labelling. Some contractors for injection moulding, plastic parts, motors and labelling. Some contractors for injection moulding, plastic parts, motors and labelling. Some contractors for moulding, plastic parts, motors and labelling. Some contractors, which also work for other toy, makers, employ up to 200 but some have workforces of 40 or fewer.

Tomy's catalogue is packed with thousands of different toys, its main products, apart from charge in the plant in the start of the start of the part of the part of the part of the plant in the plant in the part of the plant in the part of the par maker which has been produc-ing them, and used that mar-keting arrangement to become a major toy seller in the UK. Tomy claims to be the second largest toy supplier in the Brit-

Because the average age of Japanese children is rising, Tomy is trying to extend promotion of products catering for the older child. This includes animation and video products and its range of metal trains. though, it is very wary of the strength of the electronics companies which have begun exploiting the market for chil-

dren and teenagers.

### It's taken us millions of kilometres to get here.





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#### TRADITIONAL INDUSTRIES

#### Fight to protect a rich culture

TIMES are hard for Japan's The revolutionary "Just In Time" production systems have turned the younger gen-erations into consumers of factory goods rather than painstakingly hand-crafted kimonos and lacquerware.

With shops overflowing with cheap (by comparison) every-day products which come off production lines, and the connese life styles, traditional crafts are facing an increas-

ingly hostile environment. This is surprising given that Japan enjoys a much higher level of culture consciousness than almost all other industrially developed nations. Japa-nese still pursue traditional pastimes such as calligraphy

and flower arranging. But the older generation are disturbed by the changes tak-ing place. Professor Yoshida Mitsukuni, retired historian from Kyoto University, points e young people consider our traditional art and crafts 'alien'. They don't understand the historical continuity. Our lives are quite westernised now and many of the objects are no longer used as part of daily life. In Kyoto, which is renowned for its chinaware, we sell more Rosenthal china than

we do locally made porcelain. A survey by the prime minister's office found that, while 85 per cent of those questioned thought that Japan was scien-tifically and technologically advanced, only 55 per cent felt

the country had a rich culture. Undaunted, the industry's artisans and their representatives are adopting methods of modern society to keep alive cultural traditions that are a new craft we must always create on the basis of whether the consumer is going to welcome what we have created or not," says Kenji Ekuan, a lead-

ing industrial designer.

"For Japanese crafts to appeal to more people it may change with the times. For example, the microwave oven has become an indispensable appliance in the lives of many people. But it is not possible to put lacquerware bowls or any-thing decorated with gold leaf into a microwave. So it may be necessary to adapt to a modern lifestyle," advises Ms Kazuko Watanabe, research director for Isetan Department Store.

The products most affected

by changes in lifestyle are kimonos and sashes (obi), lac-querware (shikki), chinaware

Prof Mitsukuni says it is difficult to quantify the extent to which the industries are shrinking because statistics are not readily available.

But the experience of Mr Adachi Masakazu, a kimono artisan in Tokyo, partiy illustrates the problem. The artisan guild to which Mr Masakazu belongs has dropped from 307 people 10 years ago to 108 while the average number of workers employed by the arti-sans has dropped from 5.5 in

To produce one kimono, using the yuzen-zome (dye) method, involves 17 different processes, all of which are mpleted by hand. Last year Mr Adachi received orders for 1,800 kimonos which he sells for Yim or more.

Fewer and fewer kimonos are being sold. They are now worn mainly for ceremonial occasions, particularly for wed-dings. The exorbitant costs placed them out of the reach of most young brides and western" style white wed-

dings are fashionable.

"Kimono producers are suffering the worst of all the tra-ditional industries," says Mr Shunichi Kanesaki, managing director the Japan Traditional Craft Centre. "Men don't wear them anymore and women were them only for special ceremonies. Women are less inclined to wear them as everyday clothing because they are no longer practical." He adds: "It is difficult to drive a car in

The country's increased labour shortage and rise in labour costs is felt no more acutely than in the traditional industries. It takes 10 years to qualify as a kimono artisan and 60 per cent of those who complete their apprenticeships leave the workshops in which they have been trained.

The protection of the indus-try and its promotion lies pri-



The Dance Spectacles and Dance Drama by the Kamogawa Odori Gelsha of provides a beautiful display of traditional dancing. Ritual music accompanies the all-woman cast through a narrative drama. After the interval, the women celebrate

depicting the seasons in spring, bamboo branches in the summer. "Autumn tints in Sunset", the grand finale, is a breathtaking display of scarlet-tinged leaves glistening in the evening sun.

the seasons in five scenes.

Each is set to a backdrop

ernment. It first took an active nterest in 1974 when the Promotion of Traditional Craft Industries law was passed.

A year later the Japan Traditional Craft Centre was established. Housed in Gaienmai in Tokyo, the centre promotes traditional crafts at the grass-root level acting under the guidance of national and regional authorities. The 1974 act is implemented

by the Ministry of Trade and Industry (MITI) and allows for the registration of certain To be eligible to register with MITI, industries must produce articles which fulfil these

criteria: • The item must be a craft article used in everyday life and manufactured primarily by

 Principle techniques should date back to the Edo period Materials should be those traditionally employed: Industries must be regionally based, involving either 10 enterprises or 30 craftsmen concentrated in the same

The latest comprehensive survey of the industries, commarily in the hands of the govnumber of craft industries tions included 900 different types of manufacture, having an annual turnover of Y7700bn, a total of 43,000 concerns which employed 300,000 work-

The government's policies are strongly attacked, both by academics and those involved in the industry. Part of the criticism is over the fact that traditional arts and crafts are cared for by at least four ministries – trade, culture, education and agriculture.

For the traditionalists, a return to old values and rituals is the only answer to Japan's dving handicrafts industry. But there are those who predict that the only way to sell more crafts is to apply sophisti-cated marketing techniques which will appeal to Japan's

modern generation. Our crafts are becoming more attractive to foreigners, particularly westerners. If we can market our goods for them, we can create a marketable image for Japan's younger gen-erations. We have to make culture accessible to all," says Mr

**Caroline Southey** 

Holidaymakers prefer the archipelago, reports Caroline Southey

### Tourists opt to stay at home

JAPANESE tourist habits might well date back to 1639 when the policy of sakoku, the ban on contact with the outside world was introduced. Today's Japanese still look to domestic destinations for their holiday breaks rather than

The Japan Travel Bureau (JTB) has forecast that 315m Japanese will make trips across the archipelago this year, an average 2.55 trips for each individual. Although these are mainly day-trips, holidaymakers are expected to spend Y14.6 trillion this year, a rise of 5.3 per cent on the previ-

ous year. Most of these jaunts take place on the 12 annual national

holidays or celebrations.
For example, the JTB found that in the Golden Week (April 27 to May 7), 17.7m or 14.7 per cent of the population would travel, spending a total of Y909bn. Of these only 365,000 people were expected to go

The biggest attractions seemed to be exhibitions in Yokohama and Fukuoka followed by Hokkaido, Tohoku, Setouchi and Kyushu regions.

Japan's holiday migrations,

as elsewhere, are strongly influenced by seasonal factors. But for the Japanese, a variety of seasons are on offer all year round. The climate is generally temperate, but there is a wide variation between the extreme north and south.

Autumn and spring hold particular tourist attractions. In spring, special hanami or are organised to follow the cherry blossom front, sakura censen, as it begins its life in the south and moves steadily northwards. The blossoms are only at their best for a couple of days, so planning has to be

During the summer season (July and August) summer resorts, beaches, hometown visits and sightseeing drew people away from their homes, the greatest number (one third of the 67m) going away on three-day trips.

A visit to Kyoto in wintry

early November illustrated the preponderance of Japanese tourists. During a day's visit to the Heian Shrine, and Nijo Castle (two of Kyoto's prime tourist attractions) the number of gaifin (foreigners or, liter-



ally, "outside people") could be counted on one hand. The castle usually receives between 500,000 and 800,000 visitors over a holiday weekend.
Visitors to the shrine fell

into two categories - the older generation who were there to sightsee and pray, and young parents accompanying children dressed in either Sunday best, per cent of industries observe it today, most companies allow employees a five day working week only twice a month and only 6 per cent have adopted it every week. Most Japanese employees work an official 40 to 41-hour week, compared with 37 hours (down from 39) in many European factories. Extended holidays are also a

Holiday migrations, as elsewhere, are strongly influenced by seasonal factors. But for the Japanese, a variety of seasons are on offer all year round. The climate is generally temperate, but there is a wide variation between the extreme north and south

western style, or in kimonos. brate, shichi-go-san, (seven three, five), when girls aged three and seven and boys age five are taken to the local shrine to give thanks for having reached these ages and to pray for future health and hap-

The shrinking of the Japanese working week is one of the reasons for the upsurge of domestic travel. The five-day working week was first intro-duced in 1973, although recent statistics show that about 50 recent invention for Japane workers. Statistics vary, but the average annual holiday appears to be two weeks. The main holidays are Golden Week; the bon festival or feast of the lanterns (the most important Buddhist festival, held to welcome the spirits of the dead); and New Year when people take from one week to

10 days leave. However, a JTB travel bro-chure observes: "Although all sorts of sports and pastimes are popular in Japan, many company employees are too

tired to spend their holidays doing more than sleeping, eating and watching television." Those with enough energy. however, are, in increasing numbers, also travelling abroad – in 1968 there were 343,000 who left Japan for business or pleasure, rising to 8.5m in 1988. This year the JTB expects an 11 per cent increase with a total outlay of Y3.5 trillion (a 9.8 per cent increase on

ried couples choose to spend their honeymoons abroad. Of the 230,000 couples who planned to get married in the spring (out of 700,000 weddings throughout the year), 93.2 per cent planned to spend their first nights together on foreign soil – preferably European (22 per cent) or Australian (16 per These honeymooners expec-

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Overwhelmingly, young mar-

ted to spend 8 days on their overseas trips, or five if they were not going abroad. Each couple was expected to pay an average of Y747.000 if they were travelling abroad or Y275,000 for a domestic holi-

As one travel agent quipped: "If you are upper class in Japan you spend your holidays here because you can afford it. If you are middle class you go abroad because it is cheaper.

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The Hokuriku Bank is one of the oldest banks in Hokkaido. Its history dates back to 1899 (Meiji 32). Since then we have continued to render financial support in a close economic relationship between Hokkaido and the Japan See coastal region. Sailing ships in the above picture, called the Kitamae-bune, "Northbound Ship", are trade ships linking these two regions. These trade ships were used from the 17th century to the turn of the 20th century, engaged in transporting not only abundant products but also valuable information. The picture of these ships symbolises the pioneer spirit of our bank. Today, our bank keeps alive this spirit of challenge and innovation, as manifested by the broad scope of our banking

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